FINANCIAL TIMES

World Business Newspaper — THURSDAY APRIL 6 1995 — D8523A

DuPont may buy back 24% stake held by Seagram

The US chemicals group DuPont is looking at buying back the 24.1 per cent stake held by Seagram, the international drinks group. It is uncertain how Seagram would spend the money it might receive from the sale – roughly $10.1bn. But Seagram, which is controlled by the Bronfman family, is a leading candidate to buy all or part of MCA, the Los Angeles-based entertainment group, from Japan's Matsushita. Page 15

Schwab offer values Sharelink at $63m: Charles Schwab, the US pioneer of discount broking, announced a cash offer for Sharelink Investment Services. His company, Schwab, would offer 235p a share for Sharelink, valuing the UK company at around £39.7m ($63m). Page 15; Lex, Page 14

UK government makes ferry safety call

The British government is to press for watertight compartments to be fitted to all roll-on roll-off ferries to avoid a repeat of the Estonia disaster. But the UK must first convince shipping's world body, the International Maritime Organisation, that transverse bulkhead fitments are vital. Page 14

Deal may end fish dispute: The European Union and Canada agreed a draft text aimed at settling a dispute with Spain over fishing rights off the coast of Newfoundland. Page 2

Dasa wins Bonn cash for Eurofighter: Daimler-Benz Aerospace and the German government have resolved their dispute over development costs for the Eurofighter 2000. The agreement opens the way for a formal relaunch of the project. Page 2

Salomon, the parent of US investment bank Salomon Brothers, is looking outside the firm for a financial controller to come in as number two to its chief financial officer Jerome Bailey, in the wake of last year's pre-tax losses of $831m. Page 15

Crédit Lyonnais, the French state bank, reported operating profits down 30 per cent to FFr9.2bn ($1.9bn) for 1994. This came before provisions and write-offs against past losses which dragged the group to a deficit of FFr12.1bn for the year. Page 15

Radical plan for company rescues: The British government proposed a radical new procedure for dealing with companies in financial trouble. The proposals, which mirror in part US Chapter 11 insolvency laws, would give the directors of an enterprise on the verge of collapse 28 days to put together a rescue plan. Page 9; Lex, Page 19

Decline in US smoking ends: The number of cigarettes smoked in the US failed to decline last year for the first time in a decade, in spite of increasingly tough anti-smoking measures. Page 4

Arafat's bomb blast claims: PLO chairman Yassir Arafat said Israeli army explosives were found at the scene of a blast in Gaza which killed six. Arafat stopped short of directly accusing Israel of involvement in the explosion.

Last-ditch bid to save killer: Lawyers for British-born murderer Nicholas Ingram asked a US appeal court to order a new trial. In Britain, 53 opposition Labour MPs urged the state of Georgia to halt Ingram's scheduled execution tonight.

Israel puts spy satellite in orbit: Israel launched its first spy satellite from a secret site. Its path will pass over Syria, Iran and Iraq.

Rwanda trials open: Tha first of 30,000 Rwandans accused of the mass murder of Tutsis last year go on trial today, the anniversary of the start of the killings. In neighbouring Burundi, 20 Hutu villagers were reported killed in a Tutsi revenge attack. Tutsi and Hutu test world's stomach again. Page 8

UN weather HQ to be in Bonn: The permanent secretariat of the United Nations climate convention will be located in Bonn after the German city beat Geneva in an informal vote.

Isle of Man Survey: The Isle of Man survey, which was omitted from some copies of the newspaper yesterday, is repeated with this edition. We apologise for the omission.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,190.89	(-10.72)
NASDAQ Composite	812.46	(-1.24)
Europe and Far East		
CAC40	1,872.92	(-8.85)
DAX	1,969.84	(+4.83)
FT-SE 100	3,190.2	(+2.1)
Nikkei	15,882.4	(+251.96)

■ US LUNCHTIME RATES

Federal Funds	6%
3-mth Treas Bills: Yld	5.868%
Long Bond	102½
Yield	7.387%

■ OTHER RATES

UK: 3-mo Interbank	6⅞%	(6⅞%)
UK: 10 yr Gilt	100½	(100⅜)
France: 10 yr OAT	98.13	(98.04)
Germany: 10 yr Bund	82.95	(82.89)
Japan: 10 yr JGB	107.853	(108.343)

■ NORTH SEA OIL (Argus)

Brent 15-day (May)	$17.84	(17.52)

■ GOLD

New York: Comex		
(Jun)	$387.2	(385.1)
London:		
close	$382.3	(391.8)

■ DOLLAR

New York: lunchtime		
£	1.61035	
DM	1.3745	
FFr	4.8065	
SFr	1.1295	
Y	85.975	
London:		
£	1.6038	(1.605)
DM	1.3835	(1.3854)
FFr	4.834	(4.8455)
SFr	1.135	(1.1385)
Y	86.5	(86.485)

■ STERLING

DM	2.2184	(2.2234)
Tokyo close:	Y 86.39	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv400.00	Iceland	IKr220	Nigeria	Naira80	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Waigel seeks more even balance in states' contributions after monetary union

Bonn pushes EU budget reform

By Andrew Fisher in Bonn

Germany will push for a thorough reform of the European Union budget so that no single country bears too high a burden of contributions after monetary union, Mr Theo Waigel, the German finance minister, said yesterday.

Mr Waigel and Mr Hans Tietmeyer, president of the Bundesbank, speaking to a banking conference in Bonn, also virtually ruled out the planned 1997 starting date for European Monetary Union. Mr Waigel said too few countries had met targets set in the Maastricht treaty on convergence.

Last year, only Germany and Luxembourg (of the then 12 EU members) would have qualified under the inflation, budget and debt targets set out in the Maastricht treaty, Mr Waigel said, adding: "Despite some progress and a growing culture of stability, convergence is still unsatisfactory."

An informal meeting this weekend of EU finance ministers and central bank governors at Versailles near Paris will give Mr Waigel an opportunity to pursue reform of the budget. Mr Tietmeyer indicated that governments should use the meeting to discuss preparations for the final stage of Emu.

"A one-sided and exaggerated burden for one member state is no longer acceptable," said Mr Waigel. Although he did not name his own country, Germany clearly wants a cut in its share of the budget – about a net 25 per cent of the total, the largest single contribution – once monetary union begins.

A reform of the financing system was also "urgently necessary" in view of the planned entry to the EU of east European countries, Mr Waigel said. He rejected the idea that the EU should raise its own taxes or make its own borrowings.

On monetary union, Mr Tietmeyer said it would take about three years from the start of the final stage of Emu for new banknotes to be made fully available. This technical side of Emu, including the integration of payment systems, was important, he said.

"It would be an irony of history if the currency union was founded, only to fail through inadequate technical preparation," he added.

Mr Waigel's comments follow this week's publication of the first annual report of the European Monetary Institute, the forerunner of the planned European central bank.

The report made clear that not enough EU countries had brought their economic performance into line, especially on the fiscal side.

Mr Waigel said the treaty laid down that Emu could start in 1997 only if a majority of countries fulfilled all criteria. "That is, to express it carefully, rather improbable." The next possible date is 1999.

He also said German citizens' fears about giving up its strong currency under Emu had to be addressed. "The citizen will receive a currency that is at least as strong as the D-Mark." A solid currency system would be the basis of a monetary union.

Mr Tietmeyer reaffirmed the need for firm adherence to the Maastricht criteria. "A currency union must be oriented towards the best. It must strive for the gold medal, not the bronze medal."

US dollar declines despite support by banks

By Philip Gawith in London and Lisa Bransten in New York

Leading central banks stepped up their efforts yesterday to shore up the dollar on foreign exchanges, but failed to stem the US currency's decline.

For the second time this week, the US Federal Reserve and the Bank of Japan bought substantial amounts of dollars, this time joined by the Bundesbank.

Market estimates are that central banks have spent $4bn-$5bn this week supporting the dollar, but traders remain sceptical whether the banks' support alone can change market trends.

There is also doubt over claims by the US administration that it favours a stronger dollar, expressed most recently on Tuesday by Mr Robert Rubin, the Treasury secretary.

Mr David Buchen, head of foreign exchange trading and sales at Citibank in New York, said: "Until the Fed raises interest rates, which I don't think will happen before May 23, just talking about how much you care isn't proof that you love me."

Before the intervention, which took place during yesterday afternoon in Europe, the blame for the weaker dollar had been placed squarely in the US's court. Mr Theo Waigel, German finance minister, told a banking symposium in Bonn: "The causes of the dollar's weakness lie above all in the US itself. Next to the continuing Mexican crisis, there is still uncertainty in the US about future budget policy."

He added: "I think it is an illusion to believe that governments and central banks can go against the markets for any length of time."

This scepticism about the role of central banks in supporting currencies was underlined by Mr Hans Tietmeyer, president of the Bundesbank. Speaking at the same symposium, he said countries with weak currencies "must inspire confidence via their policies."

These comments undermined

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New car catalyst sparks a platinum price surge

By Kenneth Gooding, Mining Correspondent

Platinum's price surged to its highest level for 4½ years yesterday after Engelhard, the US group, said it had developed a catalyst that used the metal to clean up carbon monoxide and ground-level ozone, or smog, already in the air.

Engelhard said a catalytic coating on a car's radiator or air conditioning condenser would convert ozone into oxygen and carbon monoxide into carbon dioxide as air passed over the components.

Mr Terence Poles, Engelhard's director of business development, suggested that, if all 9m vehicles in Los Angeles were equipped with the so-called PremAir catalyst system, "they would treat all of the air covering the city, up to one and a half storeys or 15 feet high, every day".

He said Engelhard was in contact with car manufacturers about using the system which might be on US roads as early as the autumn of 1997, in time for the car makers' 1998 model year. At present it was not possible to put a cost on the system, "but our calculations show that, even if it added $500 to $1,000 to the cost of a car it would be cost-effective compared with alternative clean-air strategies, such as the electric car, reformulated fuels and employee commute options".

The market seized on Engelhard's assertion that the new catalyst system would not replace conventional automotive catalysts – which destroy most pollutants before they emerge from a vehicle's exhaust pipe – and would use at least as much of the metal.

Platinum's price was already buoyant – it jumped by $17.75 a troy ounce last week to $434.25 – and it rose by a further $13.25, or 3 per cent, to $459 an ounce at the afternoon "fix" in London yesterday.

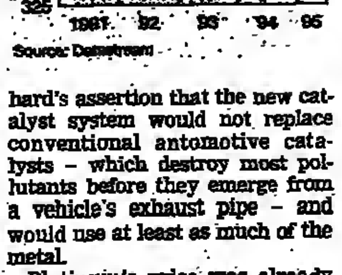
The price started to move overnight in Tokyo where local traders suggested Engelhard was buying in the spot market on Tuesday before its announcement. Engelhard declined to comment about this.

Engelhard is 30 per cent owned by Minorco, the offshore subsid

Continued on Page 14

Platinum

London Free Market, $ per troy ounce



Source: Datastream

A shepherd in Sarajevo old cemetery adjusts a bunch of flowers on the grave of Suada Dilberovic, one of the first victims of the war in Bosnia, who was killed three years ago on April 5, 1992. Since then around 200,000 people have died and a million and a half have been forced from their homes. In the city, the anniversary attracted scant attention. Bosnia's prime minister, Haris Silajdzic, said that the country must be ready for a decade of painful struggle. Picture Reuter

Sweden cuts state benefits in effort to control deficit

By Christopher Brown-Humes in Stockholm

Sweden's minority Social Democratic government yesterday made a new attempt to ease the crisis in the country's finances with a hastily assembled package of measures to combat a yawning budget deficit and rising state debt.

The proposals continued the party's efforts to strike a balance between imposing greater fiscal discipline and defending the welfare model that it created.

The measures will reduce state benefits, while imposing a tight check on municipal financing and a cap on public spending from 1997.

Financial markets, which had expected deeper cuts, were disappointed by the proposals. The krona weakened to SKr5.34 against the D-Mark, from SKr5.28 in early trading, while yields on 10-year bonds climbed 5 basis points to 11.54 per cent.

Unemployment, sickness and parental leave benefits will all be cut to 75 per cent from 80 per cent of the recipient's previous income. Value added tax (VAT) will also be introduced on newspapers, though the government has not specified an amount.

The most controversial measure will be a lowering of VAT on food from 21 per cent to 12 per cent.

Many analysts said the country could not afford such generosity, but the government said it would ease the burden on those hit by planned cuts, particularly in unemployment benefits.

This year's budget deficit is expected to be SKr180bn ($24bn), more than 11 per cent of gross national product, but the net savings from the package will only be about SKr6bn. Meanwhile, state debt is approaching 90 per cent of GNP.

The proposals have been agreed between the SDP and the smaller Centre party and will be formally presented in a supplementary budget on April 25.

The two parties have said they will continue their co-operation, although not as a formal coalition.

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Currencies ..... Page 27

Mr Göran Persson, finance minister, predicted the state debt would stabilise in 1996, two years ahead of his original target, at less than 100 per cent of GNP.

But his plans were attacked from both left and right of the political spectrum. The blue-collar LO trades union said bluntly that the cut in unemployment benefits was "unacceptable", while the Swedish Employers Confederation said the measures were neither sufficient nor precise enough.

The Social Democrats have already announced SKr90bn in tax rises and spending cuts since being returned to power in elections last autumn.

Their assault on the deficit is being helped by the revival in the economy, as growth of more than 2 per cent is expected this year.

CONTENTS

Dasa wins Bonn cash for Eurofighter

By Michael Lindemann in Frankfurt and Bernard Gray in London

Daimler-Benz Aerospace and the German government have resolved their dispute over development costs of the Eurofighter 2000, in an agreement which opens the way for a formal relaunch of the project and commitment by all countries involved to full production of the aircraft.

The government has agreed to pay Dasa, the aviation and aerospace division of Germany's biggest company, about DM500m (£225m) for disputed developmant work aftar months of wrangling, in an argument which had provoked renewed worries about German commitment to the Eurofighter. Now the issue has been resolved, the four partner governments – Britain, Germany, Italy and Spain – can sign a new memorandum of understanding to put the project back on course after a rocky period since German threats to withdraw in 1992.

The settlement is a compromise between Dasa'a demands for about DM1.2bn and tha original government offer of DM190m. Hostility to Eurofighter in the Bundestag had prevented the government offering mora, while Dasa threatened to quit the project if it was not paid for the development work it was doing.

However, a further dispute is likely this summer between Britain and Germany over the share of production work to be given to each country.

Germany insists that it wishes to keep 33 per cent of production work despite the fact that it is likely to cut the number of aircraft it orders from 250 to 140. Britain argues that under the original agreement, which ties work directly to the number of fighters bought, an order for 140 aircraft would only entitle Germany to 23 per cent of production work on the jet.

The main beneficiary of a fall in German work would be Britain, which has maintained its order for 250 Eurofighters and could see its share of work rise to almost 40 per cent of the £32bn programme. Italy has said it wants 120 aircraft while Spain will take 13 per cent of what is agreed overall.

"It's a bit like a game of poker – you try to ratchet the numbers up as much as you can," said one German official. "Unfortunately, we Germans may not be quite so good at poker." About 25,000 jobs in Germany depend directly on the Eurofighter and if Germany gains less than 30 per cent of the work it may be difficult to win parliamentary approval for the deal.

Yet, while this dispute is likely to become a vocal and public negotiation, it does not threaten to disrupt the project seriously, and a compromise likely to be reached in the course of the year.

German officials said they would be prepared to give the UK a bigger share of the work on the Future Large Aircraft, the new European military transport aircraft, if Germany is allowed to have more of the Eurofighter work than might be justified by the smaller number of aircraft ordered.

Kerin Hope on attempts to counter growing political isolation

Greece rebuilds its Balkan bridges

Direct UN-sponsored talks between Greece and Macedonia, due to start today in New York, have been postponed until later this month following a Greek refusal to suspend its trade blockade of the former Yugoslav republic before negotiations start, writes Kerin Hope in Athens.

Macedonia claims Greece is blocking the transfer by rail of 20,000 tonnes of oil – part of a humanitarian aid package agreed with the European Union – from the northern Greek port of Thessaloniki to Skopje.

The UN talks would have focused on a deal in which Greece would lift the blockade permanently in return for a Macedonian commitment to changing the emblem on its flag, associated with the ancient Greek kings of Macedonia, and abandoning any claim to the Greek province of Macedonia. The name issue would be dealt with separately.

In tbe past three weeks Mr Carolos Papoulias, the Greek foreign minister, has made fence-mending visits to both Albania and Bulgaria. He has also agreed to launch direct talks with Macedonia on the disputes over its name and flag, although Athens has yet to lift the trade blockade imposed against tbe former Yugoslav republic 13 months ago.

Greece and Albania are planning to sign a friendship treaty, ending tension over the status of Nortb Epirus, tbe southern Albanian region populated by an ethnic Greek minority. In Bulgaria, Mr Papoulias won political backing from the new government for a proposed Greek-Russian oil pipeline from the Black Sea to the Aegean.

This drive by Greece to improve relations with its Balkan neighbours could make an important contribution to regional stability, but only if some more practical measures are taken.

With the demise of communism, Greek foreign policy-making was poisoned by outdated concerns over border security and ethnic minorities going back to the Balkan wars at the turn of the century. The need to establisb a solid framework for trade and investment was largely ignored.

However, the Socialist government now appears to realise that Greece's increasing isolation from its European Union partners on Balkan issues could bave serious consequences, particularly since it will rely beavily on EU grants for modernising its economy over the next four years.

Said one official: "We were constantly at odds with Brussels over Turkey, Skopje and Albania. It was becoming an excessive burden."

The Socialists signalled a change of policy last month by lifting the Greek veto of the EU customs union agreement with Turkey, in return for a definite timetable for EU membership for Cyprus.

Furthermore, the decision to arrest nine members of a right-wing Greek terrorist organisation responsible for a raid on an Albanian military post a year ago, did considerably more to boost relations with Tirana than Mr Papoulias's pledges of friendship and co-operation.

The next step, organising a system of rotating work permits for some of the 150,000 Albanians working illegally in Greece, together with ways of transferring their savings back to Albania, will be crucial to maintaining better ties. However, this could prove difficult to implement because of the notoriously inefficient Greek public administration.

In Sofia, Mr Papoulias resolved a dispute over the route of the proposed pipeline to carry Russian oil from Burgas in Bulgaria to the northern Greek port of Alexandroupolis. The $600m project could be launched later this year, with studies being financed by the European Commission, according to Greek officials.

However, more mundane issues that could make lifa easier for people on both sides of the border remained unsettled. Tbese included a long-standing Bulgarian request for more frontier crossings to boost cross-border trade and a 30-year wrangle over sharing water from the Nestos river.

The real test of Greece's commitment to improving ties with its neighbours concerns Macedonia. Athens is under increasing US pressure to suspend the blockade and allow oil shipments for Skopje to pass through Thessaloniki port in northern Greece before talks start in New York.

As support for nationalist policies recedes, the Socialists face little opposition to negotiating a settlement of the Macedonian question. Greek businessmen are pressing for the blockade to be lifted and for a go-ahead for Greek investment in Macedonia enabling them to make acquisitions under the republic's privatisation programme, which is now starting to take off.

While Greece still officially refuses to recognise Macedonia under that name, leading Socialists accept they have lost the battle to make the republic call itself "New" or "North Macedonia" to distinguisb itself from the Greek province of Macedonia. Mr Theodoros Pangalos, the former European affairs minister, has urged the government to restore relations quickly with Skopje.

Whatever the outcome of the Socialists' attempt to foster better Balkan ties, however, prospects for better relations with Turkey look bleak.

Despite agreeing to the Turkish customs deal as a means of securing EU entry for both halves of Cyprus by the end of the 1990s, Athens shows no sign of wanting to promote confidence building measures that would encourage Turkish-controlled northern Cyprus to embrace EU membership.

Foreign minister Papoulias: visits to Sofia and Tirana

In fact, the government is quarrelling with Turkey over plans for restructuring Nato's southeastern wing, setting up a new command centre at Larissa in northern Greece and possibly basing part of the rapid deployment force in Thessaloniki. It has also adopted an aggressive new "joint defence doctrine" with the Greek Cypriots. Aimed at counterbalancing a strong Turkish military presence in northern Cyprus, it would involve stationing Greek troops in the south of the island and also provide Greek air and naval protection.

AT&T seeks Washington's weight in tender row

Telecoms group calls for government backing in a dispute with EBRD over failure to win European contracts, writes **Peter Marsh**

The US-based international telecommunications group AT&T is seeking the US government's intervention in a dispute with the European Bank for Reconstruction and Development about the company's exclusion from two projects in eastern Europe.

The aggressive campaign by AT&T, whicb has sent a series of private letters of complaint to the US Commerce Department and the EBRD, comes at a time of increasing international tension over contract awards and of growing pressure from companies, in particular in the US, for their governments to challenge tbe outcome of public procurement contracts.

AT&T has asked the Commerce Department to initiate an "independent investigation" into the EBRD's evaluation procedures for the two telecoms contracts, in the Czech Republic and Ukraine, which involve EBRD loans. Even though both contracts to supply optical cable and install a fibre-optic network were small, about $12m each, AT&T saw the work as important for its expansion in the region.

The Commerce Department has shown itself increasingly eager in the past year to step into such rows in the cause of promoting US industry. But it is yet to commit itself to supporting the claims of unfairness made by AT&T, which is due to meet EBRD officials this weekend.

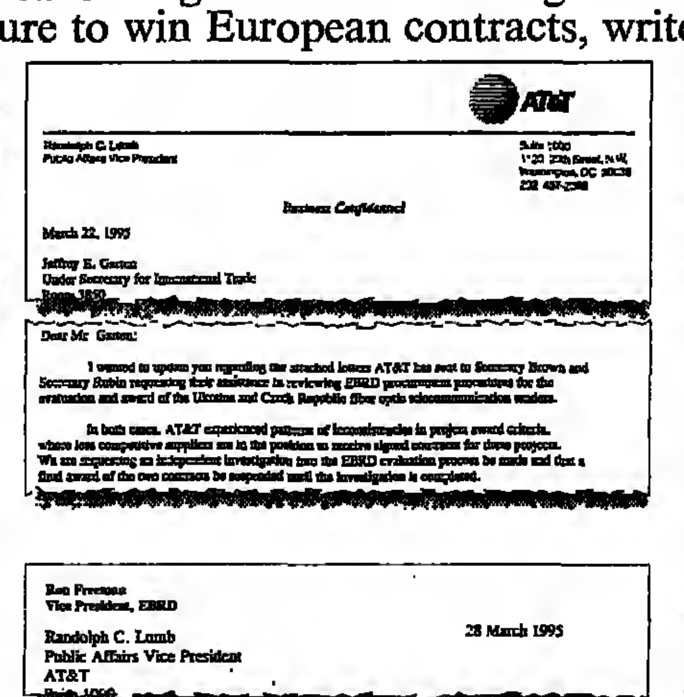
AT&T claims that the EBRD permitted the contracts to go to companies that were not the lowest bidders, and that tendering procedures supervised by the bank sbowed "patterns of inconsistencies". The Czech contract was won by Samsung of South Korea, and a consortium of Northern Telecom of Canada and Italy's Pirelli won the contract for the Ukrainian network.

The complaints to the US government, tha EBRD's biggest shareholder, may sour the mood at tbe bank's annual meeting starting in London tomorrow. Officials at tbe bank, which has 57 member countries and was established to assist the development of tbe formerly communist nations of eastern Europe, insist that the AT&T allegations are unfounded.

In recent years, the World Bank, the European Commission and the EBRD have had to deal with complaints from companies that have lost out on big contracts. A senior official at one of these institutions said: "The US invented this game [of lobbying after deals have been lost] and in recent years the Europeans bave joined in. You don't see this kind of reaction from Asian companies, so far."

AT&T has criticised EBRD actions in letters to Mr Ron Brown, US commerce secretary, and Mr Robert Rubin, Treasury secretary. Mr Randolpb Lumb, AT&T's vice president for public affairs, said: "We have entered this dispute with a significant degree of forethought. AT&T does not do things frivolously."

He said that in about 10 years of being involved in international procurement for bodies such as the World Bank and the US Agency for International Development, this was the first tima the company had gone to such lengths to pursue a complaint about tendering procedures. Mr Lumb said "a conversation has been started" with the EBRD but the matter remained to be resolved.



Randolph C. Lumb
Public Affairs Vice President

AT&T

Business Confidential

March 22, 1995

Jeffrey E. Garten
Under Secretary for International Trade

Dear Mr Garten:

I wanted to update you regarding the attached letters AT&T has sent to Secretary Brown and Secretary Rubin requesting their assistance in reviewing EBRD procurement procedures for the evaluation and award of the Ukraine and Czech Republic fiber optic telecommunication tenders.

In both cases, AT&T experienced patterns of inconsistencies in project award criteria, where less competitive suppliers are in the position to receive signed contracts for these projects. We are requesting an independent investigation into the EBRD evaluation process be made and that a final award of the two contracts be suspended until the investigation is completed.

Ron Freeman
Vice President, EBRD

28 March 1995

Randolph C. Lumb
Public Affairs Vice President
AT&T

As in every case of public sector procurement, EBRD has closely monitored the procurement procedures-- preparation of tender invitations as well as bid evaluation-- in the Czech and Ukraine cases, and we are convinced that AT&T lost a fair competition on a level playing field. Please be aware that all contracts funded from EBRD proceeds are subject to the Bank's Procurement Policies and Rules approved by

One EBRD official said that of about 250 contracts tha EBRD had supervised since 1991, about 30 had been the subject of complaints from losing bidders. In all these cases, the complaint had ended with the company "backing off", the official said. The AT&T dispute "is one of the top two or three in terms of political flak".

Last week Mr Ron Freeman, the EBRD's vice president for banking, who is in effect deputy to Mr Jacques de Larosière, the president, wrote to Mr Lumb rebutting the company's claims. "We are convinced AT&T lost a fair competition [over the Czech and Ukraine contracts] on a level playing field.... Our [EBRD's] procedures have been properly followed."

In both cases, the awards were made by the respective national telecoms authorities, SPT Telecom and UKRTEC. The EBRD's role was to supervise tendering and evaluation procedures. The contracts were to provide optical cable for general use in the Czech Republic and installation of a new fibre-optic network between Odessa and Kiev in Ukraine.

When AT&T learned in late February that it had lost out on both contracts, it began sending letters to the EBRD and to the US government. It claimed that:

- In the Czech contract, AT&T was deemed at first by SPT to be the lowest price bidder that met technical specifications but that "someone within the EBRD has changed the tender evaluation procedure" so the contract went to Samsung.
- In the Ukraine project, AT&T had tha lowest tender price after having tendered "in a fully compliant technical and commercial manner".
- UKRTEC, against the procurement rules established by EBRD, allowed the amount of local production of telecoms hardware to influence it in deciding on the Ukraine contract.

On March 15, Mr Auke Gerbens, AT&T's vice president for central and eastern Europe, basad in the Netherlands, broadened the attack, expressing "deep concern" to Mr Freeman about the tendering procedures for the Ukraine contract.

A week later, Mr Lumb of AT&T contacted Mr Jeffrey Garten, under-secretary for international trade at the Commerce Department in Washington, complaining that the bank "has not been forthcoming" in its response to AT&T.

"Your involvement and help on initiating an independent investigation into the EBRD evaluation procedures . . . is urgently requested," Mr Lumb wrote. At about the same time, AT&T wrote separately to Mr Brown and Mr Rubin.

In its response to AT&T, the EBRD has insisted that in both deals procurement guidelines had been followed. The bank said that in the Czech contract, AT&T was not the lowest compliant bidder, but the eighth lowest.

An EBRD official said: "Among the other bidders in this contract were Siemens [of Germany], Pirelli and Nokia [of Finland] and none of these has complained." One company bidding on this contract said: "AT&T has overreacted and become obsessed with this issue."

A government official familiar with international telecoms contracts said AT&T was well known in the industry for its fierce lobbying in an effort to win important bids.

In the Ukraine contract, the EBRD said AT&T was ruled out because it could not supply a vital "network management" computer. And an internal EBRD memo said there was "no reason to believe" that local production was a factor in influencing the award.

Mr Freeman, in his letter to Mr Lumb last week, said AT&T had been "badly misinformed" both about the facts behind each case and the role of the EBRD in organising procurement procedures.

In an internal memo on March 13, Mr Freeman complained to his colleagues that some of the bank's initial answers to AT&T "seem a bit lika stonewalling". He then wrote last week internally that even though the company was "not well founded" in its arguments, the "issue is whether AT&T will listen to facts". He added he "would like to bring this to a stop, before political volume begins to affect us".

See Observer

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US challenges Germans over power deal

By Nancy Dunne in Washington and Judy Dempsey in Bonn

US officials have put Bonn on notice that they consider resolution of a dispute between General Electric of the US and the east German utility Veag to be "a test" of its commitment to enforce a 1993 US-EU pact for procurement of beavy electrical equipment.

Mr Mickey Kantor, US trade representative, and Mr Ron Brown, commerce secretary, have expressed concern about Veag's exclusion of General Electric from the final round of bidding on two steam turbines worth about $250m for facilities in Lippendorf. The contract was awarded to the Swiss-Swedish group Asea Brown Boveri.

In a letter to Mr Günter Rexrodt, German economics minister, the two men said the interests of the entire US heavy electrical equipment industry were at stake in the project. GE's experience discouraged US suppliers from "even submitting bids in German and European markets, given the widely held perception that these markets are closed. . . . This is more than a single company's problem, and frankly involves more than minor procedural errors," they said.

They had watched "with concern" as economics ministry officials and members of prospective review boards gave GE "inconsistent responses and inadequate guidance".

GE went to court in Berlin, seeking to be reinstated in the bidding, but was refused. An appeal is set for April 10.

Mr Kantor and Mr Brown said US suppliers had been excluded for decades from German electrical utility procurements, while German and other European suppliers had about 25 per cent of the US market. "Neither of our economies can afford the continued existence of cosy relationships between electrical utilities and their traditional suppliers," their letter said. "Sucb behaviour is especially unacceptable as the parents of these utilities expand into other sectors and global markets."

They asked Mr Rexrodt to establish a mechanism by which final awards can be suspended and to issue detailed rules defining an appeals process for procurement disputes.

According to Germany's economics ministry the contract was awarded on objective criteria. "And that is that". Veag insisted that "those who finally won the contract, won it fairly". The tender could not be reopened.

A spokesman added that GE had not met either technical or price requirements. "Their tender was not competitive enough."

A consultant with expert knowledge of east German utilities commented: "It is a long haul trying to get into utilities, especially in Germany. You need plenty of time to prepare the groundwork. Quite honestly, I don't think GE did it properly."

Other non-German companies have successfully entered the market. They include NRG, the Minneapolis-based utility company, and Britain's PowerGen.

EUROPEAN NEWS DIGEST

Draft deal may end fish dispute

The European Union and Canada yesterday agreed a draft text aimed at settling a dispute over fishing rights off the coast of Newfoundland. The draft agreement was sent to EU ambassadors for consideration and the European Commission hopes to finalise the text in time for Mrs Emma Bonino, commissioner for fisheries, to present it at a meeting of EU foreign ministers in Luxembourg on Monday. Spain and Canada have been at loggerheads over the allocation of a quota for Greenland halibut, or turbot, and a monitoring regime for trawlers operating in parts of the Grand Banks just outside Canada's 200-mile exclusion zone.

An EU official said the share-out of a 27,000 tonnes quota, set by the Northwest Atlantic Fisheries Organisation, still had to be finalised. Spain earlier this week rejected a leaked proposal which would have allowed the EU and Canada 10,000 tonnes each of the catch. This would have left Spain with 8,000 tonnes and Portugal with 2,000 tonnes.

Spain has demanded that the total quota should be split between the EU and Canada, giving each 13,500 tonnes. The official added that the question of legal jurisdiction also required further negotiation. *Caroline Southey, Brussels*

Denmark reveals carbon tax

Mr Poul Nyrup Rasmussen, the Danish prime minister, yesterday presented a plan to impose carbon dioxide and sulphur dioxide taxes on industry, claiming it was a "a red letter day for the government and the country". However, Mr Sven-Aage Nielsen, president of the Federation of Danish Industries, described the proposals as "a bureaucratic monster" and said it would hurt international competitiveness.

The CO_2 and SO_2 taxes will yield a total revenue of about DKr2.4bn (£273m) a year, but industry will be reimbursed for most of the taxes levied. The government admits the proposals will cause an initial loss of about 4,000 jobs (about 1 per cent of Danish manufacturing employment), but claims they will then generate about 2,000 jobs through an energy-saving investment programme. *Hilary Barnes, Copenhagen*

Russian media tussle heats up

The battle for control of Russia'a airwaves intensified yesterday after the lower house of parliament backed a law to privatise all state-owned television and radio stations. The move was seen as an attempt to wrest control of the mass media away from President Boris Yeltsin's entourage before December's parliamentary elections.

The target of the parliamentary bill, which was passed by 276 votes to two, is Public Russian Television (ORT), Russia's main television channel which was established by a presidential decree last year and which began broadcasting this week. ORT has been partly privatised, although the state remains the biggest shareholder. But the other eight private shareholders, including several banks and an industrial company, are believed to have close ties to the presidential apparatus. *John Thornhill, Moscow*

Pension deal on hold in Italy

The Italian government and three main trade union confederations came to an understanding yesterday that any deal on state pension reform will have to wait on regional elections on April 23. Both sides recognised pensions could become a political issue during the regional campaign. If the right-wing alliance headed by Mr Silvio Berlusconi, the former prime minister, does well in the elections there will be strong pressure to go to the polls before summer. In this case the unions, and the centre-left alliance backing their stance over pensions, could decide not to risk a confrontation in parliament on the issue in advance of a general election.

Despite such uncertainties Mr Lamberto Dini, the prime minister, is determined to win an agreement on pensions. *Robert Graham, Rome*

Bavaria steel payments rejected

The European Commission has rejected plans by Bavaria to make payments to two steel companies, Neue Maxhütte Stahlwerke (NMH) and Lech-Stahlwerke, because the scheme would have constituted state aid. Bavaria had wanted to transfer its 45 per cent stake in NMH and 20 per cent holding in Lech to an existing shareholder in both companies. Bavaria would have covered 80 per cent, or about DM126m (£56.7m), of NMH's accumulated losses, granted DM56m to NMH for investment, and paid DM20m to offset losses at Lech.

Bavaria's plea had been supported by Bonn, but the Commission said Bavaria would have "absolutely no prospect", even in the long term, of benefiting from the plans. Nor would any investor operating under normal market conditions have made such payments.

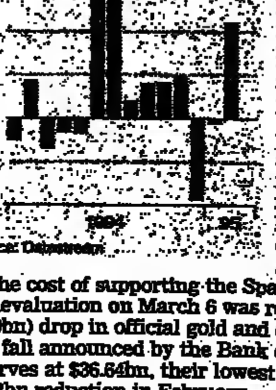
Separately, the Commission said it had started its inquiry into Ireland's plan to support Irish Steel, the country'a only steel mill, with a I£40m (£36.6m) grant and I£10m in loan guarantees. *Andrew Baxter, London, and agencies.*

Court seeks to question Claes

Belgium's highest court has applied for permission from parliament to question Mr Willy Claes, Nato secretary-general, and two other former Belgian ministers over the Agusta affair. Parliament is to appoint a special commission to consider the court's request. This puts fresh pressure on Mr Claes, although the veteran Flemish Socialist protested his innocence this week. Mr Claes, breaking a long self-imposed silence, insisted he had no intention of resigning over the affair, which involves a BFr51m (£1.1m) payment to Flemish Socialist party funds following the award of a government contract in 1988 to Agusta, the Italian helicopter manufacturer. Mr Guy Coeme, former defence minister, and Mr Louis Tobback, former interior minister and party chairman, also face interrogation. *Lionel Barber, Brussels*

ECONOMIC WATCH

Finnish fillip from exports



Finland's current account moved to a FM2.2bn (£318.8m) surplus in February from a FM100m deficit a month earlier, helped by a strong export performance showing little adverse impact from the recent strengthening of the markka. Exports rose to FM14.5bn in February from FM13bn in January to leave the country with an overall trade surplus of FM4.5bn, against FM3bn. The stronger markka meant the country's net international debt fell FM11.5bn to FM247.5bn. *Christopher Brown-Humes, Stockholm*

■ The cost of supporting the Spanish peseta before and after its devaluation on March 6 was reflected in a steep $4.68bn (£2.9bn) drop in official gold and currency reserves last month. The fall announced by the Bank of Spain yesterday left reserves at $36.64bn, their lowest level since 1988. It followed a $2.82bn reduction in February.

■ Germany's broad M3 money supply contracted by an annualised 4 per cent in February, definitive data published by the Bundesbank show. The figure, which represents the change from the average level of M3 in the fourth quarter of 1994, signals a slightly broader contraction than the preliminary 3.8 per cent shrinkage the central bank reported for February. In comparison with the figure for the fourth quarter of 1993, the M3 measure had risen by 3.7 per cent.

صكرا من الاصل

NEWS: EUROPE

Britain presses for agreement

Warning as Bosnia plan eludes Nato

By Bruce Clark in Brussels

Nato ambassadors yesterday failed to reach final agreement on a contingency plan in the event of a UN withdrawal from Bosnia, despite warnings from military officials on the consequences of any delay.

The 16 envoys will resume their talks today after an unusually long and difficult round of weekly consultations.

Nato military planners virtually completed their blueprint for a joint military operation to cover a possible pull-out of the 25,000-strong UN peacekeeping force from Bosnia at the end of last year, but final agreement on the details by the 16 member states has proved elusiva.

The impasse comes at a time of deepening pessimism in the international community about the prospects for averting a resumption of all-out war in Bosnia. Agreement on financing and command arrangements – delicate issues which would have to be co-ordinated with the UN – is understood to be some way off.

Nato military planners have suggested that even in the absence of a final agreement, the alliance should despatch an initial force of about 1,600 personnel to Italy and Croatia to work on communications and logistics ahead of a possible pull-out.

However, yesterday's meeting failed to produce agreement even on this initial step. "The military people say all this is taking much too long and they would like to see an agreement this month," ona Nato official said.

The withdrawal plan – which would be the biggest military operation Nato has conducted – is understood to provide for the deployment of 40,000-50,000 extra troops, of which the biggest single contingent would probably be from the US.

Final approval of the plan has been delayed by a minority of Nato governments, several of which have argued that it would send the wrong signal to the warring parties in Bosnia by suggesting that peace-making efforts were on the verge of collapse.

However, Britain has been in the forefront of countries arguing for early endorsement of the plan, while stressing that it wants the UN to stay in the war zone and that the blueprint is only a contingency.

Nato military planners have been warning that unless preparations for the operation are switched into higher gear, the time lag between deciding to withdraw and actually doing so could be as long as three months.

'The military people say all this is taking much too long'

The western nations contributing troops to the UN force in Bosnia say they want the peacekeepers to remain as long as possible, but acknowledge that their position could become untenable in the event of an increase in fighting.

Experts from the five-nation contact group – comprising the US, Russia, Britain, France and Germany – met in London earlier this week in an attempt to formulate a strategy for averting full-scale war when the current Bosnian truce expires at the end of April.

Diplomats said afterwards that the five nations hoped to send a joint mission to the region next week. It remains to be seen whether the group can overcome US-Russian differences over the terms and timing of sanctions relief for Serbia.

Courting conservatives on French Riviera

Immigrants and pensioners sway the agenda in presidential campaign, writes **David Buchan**

FRENCH ELECTIONS
April 23/May 7

The political battle for the south of France is being fought on the right. Conservative politics prosper in the Riviera climate which attracts money, pensioners and immigrants. Even in Marseilles, long a left-wing bastion, the mayor, who is a former Socialist, has endorsed the presidential candidacy of Mr Edouard Balladur, the prime minister, in an attempt to secure his own re-election in June.

But the presidential contest in the south is not simply a duel between Mr Balladur and Mr Jacques Chirac, the mayor of Paris and Mr Balladur's fellow RPR party member. This is also National Front country.

The region resembles California more than any other part of Europe, at least in the mobility of its population. Only about half its residents were actually born there, according to Mr Jean Viard, a political specialist. About 20 per cent have come from other parts of France to work or retire and the remainder from around the Mediterranean. Prominent in the last category are the French *pieds noirs* who returned from Algeria after independence and Algerians themselves.

One of France's better known "immigrants" – Mr Balladur, who was born in Turkey and spent much of his childhood in Marseilles – was bidding for votes in the city, France's second largest, on Tuesday night. But it is a reflection of the premier's almost pathological reticence about his private life that he gave almost no sign that he had felt he had "come home".

He left that to Mr Charles Pasqua, interior minister, who went through the same local school as Mr Balladur, and worked for the Ricard beverage company in Marseilles.

Mr Pasqua, for once in this campaign a positive asset to Mr Balladur, boasted of his recent laws restricting French nationality and increasing police search powers. And the generally well-to-do crowd loved the tough tone, particularly in the minister's inimitable Provençale accent.

Prodigal son: Edouard Balladur, who spent much of his youth in Marseilles, looks out on his supporters on Tuesday night Reuter

To drive the law-and-order point home, Mr Pasqua joined Mr Francois Léotard, defence minister and UDF mayor of nearby Fréjus, in recalling the Christmas storming of the hijacked Algerian Airbus at Marseilles airport, and promising "no let-up in the fight against fundamentalism on our territory".

None of this appeals, or is designed to appeal, to the local Algerian community, even though it almost wholly rejects Islamic fundamentalism as practised in its homeland. As Mr Abdallah Zekri, vice-president of the Friendly Association of Algerians in Europe, points out, he and others have just presented to Mr Pasqua their "Charter for Moslems in France", precisely to foster a more moderate home-grown strain of Islam for its 4.2m disciples in the country.

Mr Zekri complains the Pasqua laws make family reunification harder so that Algerian men often seek out prostitutes, thereby increasing the risk of catching the HIV virus, and jeopardising the rights of French-born Algerians to French nationality if they commit a misdemeanour before the age of 16.

Bnt he does not find the presidantial alternatives appealing. Mr Chirac has said he would not repeal the Pasqua laws, while Mr Zekri finds Mr Lionel Jospin, the Socialist presidential candidate, frosty on the issue of non-European foreigners voting in certain French elections, as citizens from other European Union countries can now do.

Nonetheless, Mr Zekri claims his efforts to get French citizens of Algerian origin to register to vote are paying off as "the political parties are beginning to court us", at least at the local level in the run-up to June's municipal elections.

At the national level, there was no sign of this courtship at Tuesday's Balladur rally in Marseilles, nor at the National Front's city headquarters. The Front, whose leader, Mr Jean-Marie Le Pen, secured 28.3 per cent of the vote in Marseilles in 1988, remains confident of repeating this in the city and in Nice, despite a bar on the party holding meetings in Marseilles after violence in February.

However, at his rally in Nice on Monday, Mr Chirac called for greater national appreciation of the *rapatriés*, those repatriated to cities like Nice after Algerian independence. But he made it clear he was talking about the Algerian *harkis* who fought with France as well as the French settlers.

As elsewhere in the country, however, employment and welfare issues feature prominently in the presidential debate. The difference, perhaps, is that in responding to the south's special needs and interests, the candidates have trod new ground.

With one in five Marseillais out of a job, "we are suffering unemployment at the limit of the tolerable", Mr Robert Vigoroux, the city's mayor, told Mr Balladur.

Mr Balladur has, in fact, used his two years in government to pay belated attention to the city. Although he may not get the chance to put his promise into practice, he has pledged to inject FFr1bn (£128.7bn) over five years into the Euro-Mediterranée project that would, on the model of London's Docklands scheme, try to turn disused Marseilles dockland into a logistics and telecommunications hub. The idea is to revive Marseilles as Europe's link with the Mediterranean.

Certainly, the premier vaunted the way his government was using its presidency of the EU to focus attention on the Mediterranean.

But the Riviera is also home to a disproportionate number of France's 11m pensioners, a fact Mr Chirac was conscious of at his rally. He said he would not go back on Mr Balladur's 1993 pension reform requiring people to work slightly longer for slightly less in benefits. He went on, however, to promise he would give pensioners a cost-of-living boost this July, rather than waiting until January.

This promise, plus Mr Chirac's pledge not to ration health spending, drew a tart response from Mrs Simone Veil, the social affairs minister, at the Balladur rally the following evening. She compared Mr Chirac to the improvident grasshopper in the La Fontaine fable, happy-go-lucky until winter came and he had to turn for food to the ant.

France, she suggested, should eschew Chirac the grasshopper and stick with Balladur the ant who would husband scarce resources in the welfare state.

KODAK JOINS LIST OF STRIKE-HIT GROUPS

Kodak, the US film and photography group, yesterday became the latest company to be hit by a spate of strikes in France as workers took action in support of pay claims, writes John Ridding in Paris. The company said work was continuing at its Chalon sur Saône factory, the biggest industrial plant in the Burgundy region, but striking workers were blocking suppliers' access to the site.

The strike at Kodak, which follows a stoppage at Rossignol, the ski manufacturer, and coincides with industrial action at two Rhône-Poulenc plants, shows that a wava of disputes over the past few weeks is not limited to the public sector.

However, public sector companies continue to be the worst hit. Yesterday, workers at RATP, the Paris urban transport authority, announced they would hold a strike on April 13 to press claims for higher wages and an increase in staffing levels. Air Inter, the domestic airline, is also planning a strike on Sunday and Monday.

Trade unions have been encouraged to call strikes by economic revival and also by the stance of presidential candidates. Even Mr Balladur, the Gaullist prime minister, has shifted tack and now claims there is room for salary increases, albeit on a case-by-case basis.

■ Mr Antoine Waechter, head of the Independent Ecology Movement, yesterday failed to gather the 500 signatures necessary to enter the first round of voting for France's presidantial election on April 23, writes Andrew Jack in Paris. Final confirmation of the candidates for the election will not be made public until their publication in the official journal of the French government on Friday.

Under French election law, candidates have to gather 500 signatures from elected officials around the country, including names from at least 30 of the 101 French departments and overseas territories.

First monthly fall in consumer prices for 20 years

Argentina 'faces slowdown'

By David Pilling in Buenos Aires

Consumer prices in Argentina fell by 0.4 per cent in March, tha first month of deflation since 1974. This confirmed a sharp downturn in economic activity after Mexico'a financial crisis.

The March figures, made public yesterday, show prices fell more steeply than the government had forecast. Inflation for the previous 12 months stood at 4.4 per cent, the lowest in Latin America.

The biggest price falls were in food (down 1.7 per cent) and leisure and tourism (down 2.5 per cent).

Mr Esteban Thomsen, ecooomist at the Buenos Aires-based Banco Privado, said March figures confirmed that the economy was moving towards "slower growth or recession."

Because of Argentina's currency board system, which forbids the issue of unbacked pesos, the monetary base had shrunk as a result of the fall in central hank reserves sinca December, he said. A fall in consumer demand – and so of prices – was "what you expect with the dramatic credit crunch we have seen."

Many illiquid hanks had suspended credit lines to manufacturers and suppliers, forcing them to cut prices in search of cash flow. "Depending on how deep this goes, it could lead to some companies going under by selling at below cost," Mr Thomsen said.

Mr Christopher Ecclestone, an analyst at brokers Interacciones, described the March figures as "had news". Thay pointed to a "dead economy". The government is predicting GDP expansion of 3 per cent for the year, but many private economists are forecasting lower – or even negative – growth.

Mr Ecclestone said there "was a real squeeze" on prices, with consumer durables particularly affected. In the car sector, "demand has shrivelled to nothing", forcing manufacturers into a shorter working week.

Tax collection figures, down 6 per cant year-on-year, also point to economic slowdown, raising concern that government revenue estimatea for 1995 are over-optimistic. Mr Thomsen said, however, that government measures to boost tax collection would only start to bear fruit in May or June.

● Argentine banks have failed to agree over the details of a bank deposit guarantee schame, enabling legislation for which was sent to parliament yesterday. Big hanks, concerned they are being asked to subsidise weaker counterparts, are resisting Central Bank pressure to contribute 2 per cent of deposits to an insurance fund.

Peru's contender with appetite

Sally Bowen finds Pérez de Cuéllar running hard for the presidency

In the run-up to the general election in Peru, due on Sunday, Mr Javier Pérez de Cuéllar, former UN secretary-general, seems to have found the knack – and the appetite – for political campaigning.

He now fully expects to force President Alberto Fujimori into a run-off for the top joh. "There could initially be a margin of maybe 10 points in favour of the incumbent. But, in a second round, Mr Fujimori stands a good chance of losing," Mr Pérez de Cuéllar said in en interview.

Despite his 74 years, Mr Pérez de Cuéllar has carried out a demanding schedule of flying visits to the provinces, tours of Lima shanty-towns, public meetings and television appearances. He has proved resilient under attack, with a fina sense of irony which his audiences have come to appreciate.

Mr Fujimori has avoided the face-to-face debate his closest challenger is asking for, basing his own re-election campaign on inauguration of schools and newly-paved stretches of highway.

Fresh international credits flowing into Peru mean Mr Fujimori has a string of such visible achievements to point to. He can also broadly claim to have vanquished two guerrilla movements and curbed inflation.

Pérez de Cuéllar: Promising

With gross domestic product growth of more than 12 per cent last year, most Peruvian husinessmen cannot conceive of anything other than a resounding Fujimori victory. But bounties are not reaching the pockets of Peru's poor, unemployed and underemployed.

"While Peru has 12m poor – and half of those in critical poverty – we can't talk about development. For them, the hig issue is jobs," said Mr Pérez de Cuéllar.

His central campaign offer is the creation of 2m jobs in five years, mainly through incentives to agriculture, tourism and exports. A govarnment headed hy Mr Pérez de Cuéllar would divart some $500m (£312m) of Peru'a $5.5bn international reserves into cheap credit for small husinesses and farmers.

Mr Pérez de Cuéllar would "do nothing to change current economic policy, except to give it an essential human dimension... Within the scheme of free market, liberal economic policies, I [have] proposed the creation of a Bolivian-style emergency social programme to mitigate the effects on the poor of a tough stabilisation and structural adjustment programme. Unfortunately the Fujimori administration lacked tha political will to implement it."

Current investment in Peru, he claimed, was largely speculative.

The stagnant export sector, an important source of jobs, needed the incentive of tax cuts, while Peru's $22bn external deht required renegotiation under "better conditions, with longer terms and lower interest rates ... although naturally within a framework of respect for existing international agreements."

The former UN chief presents himself as a team player. He travels accompanied by advisers and technocrats, to whom he defers on issues of detail – "unlike Mr Fujimori, who aurrounds himself with peopla as ignorant as he is".

"One thing I'd like people *abroad to understand better,*" said Mr Pérez de Cuéllar.

"Re-electing Mr Fujimori is no guarantee of atahility, rather the reverse. Ha's going to face an opposition majority in congress – and he's an autocrat with no aptitude or will for conciliation."

Mr Pérez de Cuéllar was winding up his campaign yesterday with well-attended meetings in the mountain department of Cuzco, once capital of the Incas and, for him, the symholic and long neglected heart of Peru. He is promising genuine decentralisation, with regional elections by 1996.

"It's obvious that, in a second round, all those who didn't vote for Mr Fujimori will rally round the runner-up," said a newly upheat Mr Pérez de Cuéllar. "And we assume that will be me."

US index points to slower growth

By Michael Prowse in Washington

The US index of leading indicators fell 0.2 per cent in February, providing further evidence of moderating economic growth.

A drop of 0.1 per cent had been widely expected following a series of soft economic figures in recent weeks. The index rose 0.2 per cent in December and was unchanged in January.

Many forecasters now project economic growth at an annualised rate of 2.5 per cent or less this quarter, half the figure at the end of last year. However, some regard the slowdown as a pause before faster growth resumes in the second half of the year.

Mr Lawrence Lindsey, a Federal Reserve governor, said the economy was slowing but still showing signs of "strong economic growth".

He has argued on several occasions that a deceleration of growth this year was inevitable following last year's sharp increase in consumer deht. In an interview with Dow Jones yesterday he predicted that inflation would peak at about 3.5 per cent early next year.

The fall in the leading index reflected negative contributions from seven of 11 component indicators of economic activity, including a decline in some materials prices and the real money supply. Rising share prices, however, were among three indicators pointing to faster growth in coming months.

The index is intended to predict changes in economic activity 6-9 months ahead, but many economists regard it as a more reliable guide to current economic conditions.

Cigarette consumption steady while exports surge

Fall in US smoking stops

By Richard Tomkins in New York

The number of cigarettes smoked in the US failed to decline last year, for the first time in a decade, in spite of increasingly tough anti-smoking measures, according to statistics from the US federal government yesterday.

The figures come as a setback to health organisations and the anti-smoking lobby because the numbers suggest that the long-term decline in US cigarette smoking may be bottoming out.

The US agriculture department said smokers in the US had consumed 485bn cigarettes last year, the same number as the year before. This was the first time since 1984 that cigarette smoking in the country had failed to fall.

On a more positive note, per capita consumption fell by nearly 1 per cent because the US population had increased. However, this was the smallest decrease for a decada and marked a sharp slowdown from the previous year's 3.8 per cent decline.

In recent years, rising anti-smoking sentiment in the US has led to the introduction of widespread bans on smoking in public places and the imposition in many areas of punitive local sales taxes.

Yet the agriculture department figures show that 1994 was a good year for US cigarette makers. Exports surged by 13 per cent to 220bn cigarettes and, thanks to stability in the domestic market, total production rose by 10 per cent to 726bn – the biggest total since 1981.

Until now, analysts of the US market had expected that the decline in smoking would bottom out when smokers had been reduced to a hard core – 5 to 10 per cent of adults – who could not or would not quit.

Instead, the proportion of adults who smoke fell to about 25 per cent in 1990 and has stuck about that level since, partly because of an increase in smoking among young white women and some ethnic minority groups.

Yesterday, the agriculture department said price was the main factor affecting total cigarette consumption last year. Average cigarette prices were 3.5 per cent lower than in the year before because of heavy price cutting.

Dr Ronald Davis, chief medical officer of the Michigan Department of Public Health, said advertising was another factor: "Cigarette companies continna to increase their advertising and promotional expenditures beyond the rate of inflation.

New delay for telecoms law

By George Graham in Washington

A new delay to debate on the reform of US telecommunications law has raised concerns that Congress may once again prove unable to reconcile the conflicting interests with a stake in the legislation and pass a law.

Senator Larry Pressler, chairman of tha Senate commerce committee, said he had postponed debate on the telecommunications bill agreed by his committee last month because of objections raised by the White House.

Mr Al Gore, vice president, told Mr Pressler that the administration objected to his hill's repeal of most of the price regulations imposed on cable television companies in 1992, as well as to a measure that would allow local telephone companies to buy cable systems in their own markets. The administration also wants the Justice Department to play a larger role in reviewing whether the "Baby Bell" local telephone giants have opened up their home markets to competition.

The Republican majority, counting on support from Democrats who voted for the telecommunications bill in committee, had hoped to bring it to a vote on the Senate floor before Congress starts a two-week spring recess on Friday. Debate now seems unlikely before early May.

That is an annoyance to Senator Bob Dola, the Senate majority leader, who has been banking on early passage of telecommunications legislation as a way of proving that the Senate Republicans are at work on business of their own, and not just following tha House Republicans' Contract with America agenda.

Almost all sides in the telecommunications industry want speedy legislation. But it has proved difficult to balance the interests of the regional Bell companies created by the hreak-up of AT&T, long distance companies including AT&T, cahle and broadcast television industries, utilities, consumers and even burglar alarm businesses.

The Pressler bill would allow the Bells to enter markets such as long distance or equipment manufacturing once they meet a "competitive checklist" showing that they have opened up the local telephone markets they dominate to competition.

Frustration over Congress's failure to legislate has driven the Bells and other companies to push forward with an array of lawsuits intended to relax the restrictions imposed on them by the 1984 judgment.

IADB NOTEBOOK: Stephen Fidler in Jerusalem

Transparency and good signs

The annual gathering of Latin America's regional development bank – this year, in Jerusalem – closes today in a slightly lighter mood than it opened. The tentative view began to take hold that, in the absence of further financial and other shocks, the worst of the Mexican financial crisis, or its initial phase at least, may be over.

This was supported by a more positive assessment by some financiers of Argentina's prohlems, following a tireless campaign hy Mr Domingo Cavallo, economy minister.

Defending the international rescue package for Mexico which he bad helped put together, Mr Larry Summers, US Treasury under-secretary for international affairs, said one of its benefits had been time created for countries to differentiate themselves.

He and other international financial officials argued thet the recent relative stability of the Mexican peso was a good sign, and maintain thet the drop in money supply since the beginning of the year indicates just how tight monetary policy in the country now is.

One official suggested some of tha market's recent concerns about Mexico's ability to overcome the crisis have been overplayed. In the first place, the Mexican programme would not be allowed to fail because of minor issues relating to the timing of the disbursements of the international support package, as some analysts have suggested.

Furthermore, Mexican policy was now such that the success of its package depended only on a small increase in investor confidence, not a dramatic change in sentiment. For example, Mexican interest rates were now discounting an exchange rate of aboot 10 to the dollar six months hence, compared to the current level of about 6.70. This meant thet investors who were less pessimistic about the exchange rate than this might be tempted back into Mexican financial instruments.

● At the meeting, something long suspected, but never confirmed, became clear: the much-vaunted $50hn Mexico rescue package is of no such amount. It is already known that the $3bn (£1.9bn) component from international commercial banks does not exist.

However, under intense questioning, Mr Guillermo Ortiz, Mexican finance minister, confirmed that at least part (possibly all, though that is still not clear) of the $10bn Bank for International Settlements contribution is a bridging loan to another part of the package – the $10bn second tranche of the $17.6bn stand-by credit from the International Monetary Fund. Mr Ortiz says what Mexico needs in any case is medium-term credits, not short-term credits such as those on offer from the BIS, but it appears there has been some double counting.

● This lack of transparency about the rescue package is ironic, since one of the abiding themes of the meeting is the importance of governments revealing, on a timely basis, accurate economic statistics.

This is an incessant theme of Mr Cavallo, whose own government publishes, with only a short delay, daily foreign exchange reserves and bank deposit figures. These figures have not communicated good news about Argentina – on the contrary, they have reflected an exodus of deposits – but fear in financial markets may have been reduced because investors are not worrying about being kept in the dark.

Transparency will not necessarily prevent Mexican-style crises, but the hope is that it should increase the chances of a soft-landing for economies being forced to undertake economic adjustment.

The US and others are preparing proposals on the role of the international financial institutions for the Group of Seven summit in Canada in June. The issue of transparency and the surveillance mechanisms of the institutions will be on the agenda.

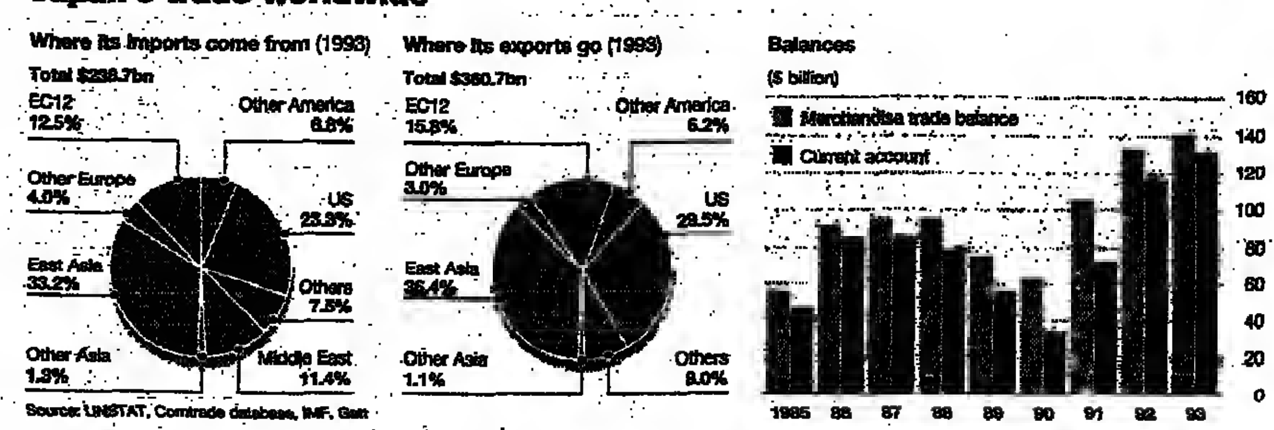
Mr Charles Dallara, head of the Institute for International Finance, the Washington-based think tank owned by the world's banks and other financial institutions, said the Mexico crisis had meant both his group's members – and most importantly, governments of emerging economies – were expressing interest in increasing transparency.

هكذا من الأصل

NEWS: WORLD TRADE

Tokyo 'slow to dismantle curbs'

By Frances Williams in Geneva



Japan's trading partners in the World Trade Organisation were broadly united yesterday in expressing frustration with the slow pace of Tokyo's market-opening and deregulation measures designed to boost foreign imports of goods and services.

The US, the European Union and others complained that the Japanese market was still hard to penetrate, despite the strength of the yen and a succession of deregulation packages designed to dismantle overt and hidden barriers to trade.

The renewed onslaught comes just days after both Brussels and Washington said they may take Japan to the WTO's disputes settlement body. The EU is complaining about Japan's discriminatory liquor taxes, while the US has threatened a broad inquiry over "Japan's lack of effective adherence" to the WTO's market-opening objectives, following lack of progress in bilateral talks to open the Japanese market for cars and car parts.

During a two-day debate on Japan's trade policies, WTO members were a good deal less upbeat than the secretariat's own report which said Tokyo appeared to be making real efforts to reduce its past emphasis on bilateral trade deals, notably with the US and EU, and to free up its domestic economy.

The report cites the scrapping of various export restraint pacts, increased use of international standards and growing trade and investment links with Asia as reinforcing the trend away from bilateralism.

"Firm progress" in domestic deregulation, and Japan's market-opening pledges in the Uruguay Round of global trade talks, should ensure better access for foreign goods and services, the report notes. However, it questions whether Tokyo is doing enough to combat trade barriers posed by the traditional close links between groups of companies and corporate families.

Representatives of Washington and Brussels yesterday criticised Japan for ducking its responsibilities as the world's second largest economic power.

"Growth of the rest of the world. . . will depend on an open Japanese market," said Mr Ira Wolf, assistant US trade representative for Japan and China, pointing out that Japan had benefited hugely from open markets elsewhere, especially the "wide open American market".

Echoing remarks by Mr Mickey Kantor, US trade representative, last week that Japan was a "closed" economy, Mr Wolf said the Japanese market was "arguably the most difficult to penetrate among industrialised countries".

The country ran the world's biggest current account surplus, of some $129bn last year, and imported far fewer manufactured goods in ralation to size of its economy than any other Group of Seven leading industrialised nation. Foreign direct investment in Japan was minuscule by comparison with inward investment in the US and EU, Mr Wolf added.

Tokyo's latest deregulation package, unveiled last Friday, also failed to impress trading partners, disappointed by the thin results of four previous initiatives. Mr Wolf said deregulation now topped the US agenda with Japan, alongside the automotive sector.

He assured other WTO members that all eight market-opening agreements the US has concluded with Japan over the past year would he extended to trading partners on a most-favoured-nation (non-discriminatory) basis.

The EU faulted Japan's many non-tariff barriers, especially inspection and standards regulations. Its representative, Mr John Richardson, said only 2.5 per cent of Japan's industrial standards were the same as existing international standards, while excessively strict standards on plant and animal health kept out many agricultural imports.

US companies blamed for market share

By Michiyo Nakamoto

Japan's Ministry of Transport has challenged US claims that the country's market for car parts is closed with a report that blames the poor image and lack of marketing efforts by US companies for their low share in the Japanese market.

The report, sent to the US embassy in Tokyo, follows a firm stance by Tokyo against US demands for concessions on private-sector issues. Japan and the US are due for another round of trade talks later this month on access to Japan's market for cars and car parts.

The Ministry of Transport, which regulates the after-market for replacement car parts, denies that regulations obstruct the penetration of foreign car parts. The report is based on a survey conducted by Mitsubishi Research Institute, a private think-tank.

The US wants to reduce a $36.7bn trade deficit in the car sector, which is 60 per cent of the overall bilateral trade deficit with Japan. The US Trade Representative has targeted Japan under its Section 301 trade bill for punitive action unless steps are taken to improve access to the car parts replacement market.

US trade negotiators claim that stringent regulations in the parts market restrict sales of foreign car parts and keep parts prices high for Japanese consumers. Imports of car parts have between 16 and 60 per cent of other Group of Seven countries but only 2.4 per cent of the Japanese market, the US claims.

"If the Japanese market were open, Japanese consumers would not have to spend two to three times what Americans do for auto parts," the US Commerce Department said in a recent statement. The Japanese transport ministry's document aims to counter many US claims about the connection between strict regulations and low foreign penetration.

It claims that the share of foreign car parts in major markets is not affected by regulations but is in direct correlation to the share of foreign cars in those markets.

According to the report, in the three European markets of Germany, France and Italy, the share of foreign car parts was 21.6 cent against a foreign vehicle share of 32.3 per cent (including trucks and buses).

In the US the figures were 19.6 and 17.5 respectively while in Japan the 2.3 per cent share of foreign vehicles compares with a 2.6 per cent share for foreign car parts.

As for US claims that the average cost of fixing a silencer in Japan is $240 compared to $100 to the US and that an alternator costs $600 in Japan bnt just $100 in the US, the Japanese ministry states that since there are no regulations on the replacement of silencers and alternators the price differential arises from other factors.

The ministry points out that US replacement parts manufacturers are more interested in their own market than in improving access to the Japanese market.

● Mr Steve Collins of the American Automobile Manufacturers Association said any report from the Mitsubishi Research Institute "certainly doesn't sound like an unbiased observer," adds Nancy Dunne in Washington.

"If this was a legal case and this study was Japan's best defence, they would be laughed out of the courtroom," he said.

The study makes no attempt to justify the tiny 4.6 per cent share of the market captured by imports – and that includes imports from Japanese companies abroad.

Japanese brands flow back home

By Michiyo Nakamoto in Tokyo

The sharp rise in the yen's valne has prompted a surge in imports of a wide range of Japanese products from cars to colour TVs.

The high price of making anything in Japan has meant that Japanese brands are flowing back into the country from overseas and that they are not restricted to high-tech or high-cost consumables.

Japanese consumers are buying day-to-day goods sold at less than domestic prices in overseas markets. They are snapping up everything from instant noodles to camera film made by Japanese companies for consumption abroad.

Nissin, the processed foods company, says that instant soup noodles made in the US are being re-imported to Japan by discount stores.

The re-imported noodles are being sold at discount stores from 40 to 60 per cent cheaper than those made for the domestic market. Hop, a discount store in Tokyo said yesterday it had sold out of all imported noodle stocks.

Fuji Film, a leading camera film company which has a dominant share of the Japanese market, said that reverse imports of film had increased as the yen appreciated. But re-imported films are not all manufactured outside Japan for overseas markets.

Fuji confirmed that some of the film being sold in Japan for less than domestic product is made in the country, exported overseas and re-imported.

Although Fuji did not approve of these reverse imports, there had not been any complaints and Fuji had no means to stop them, an official said.

Imported compact discs are another popular product in Japan where the locally marketed version can cost 30 to 40 per cent more than imported discs. The main difference, as far as most consumers can tell, is that imported CDs do not contain a Japanese translation of the lyrics.

WORLD TRADE NEWS DIGEST

Indonesia seeks road investors

Indonesia is inviting foreign and local investors to team up with the state-run toll road company, PT Jasa Marga, to construct 770km of toll roads, mainly in the densely populated island of Java. Construction costs are estimated at about $3bn, according to 1994 figures issued by the Ministry of Public Works. The investment required could be higher than the estimates following a 40 per cent rise in the government's reference price for cement.

The government said 19 toll roads need to be built, 18 of which will be in Java and one in north Sumatra, and it wants all the new toll roads to be completed by 2004. Industry executives note, however, that if toll road rates continue to be set by presidential decree, investors will have little control over their returns. As a result, a lengthy negotiating process may delay completion.

Local investors expected to win at least some of the contracts for construction of the toll roads include PT Citra Marga Nusaphala Persada, Indonesia's leading toll road constructor, which is controlled by Ms Siti Hardiyanti Rukmana, President Suharto's eldest daughter, and the Humpuss Group, controlled by Mr Hutomo Mandala Putera, one of the president's sons. *Manuela Saragosa, Jakarta*

US curbs apparel imports

Five apparel exporting countries in the Caribbean Basin have criticised a US move to restrict imports of underwear and nightwear to prevent "disruption" of the US market. Most of the region's apparel exports to the US are produced under an offshore assembly programme which allows garments to be assembled from fabric made and cut in the US and re-exported to the US with duty paid on the value added in assembly. Caribbean Basin countries are allocated quotas under a series of bilateral treaties. The US claims that Jamaican, Honduran and Salvadorean exports of nightwear climbed steeply between 1992 and 1994 and that underwear exports from the Caribbean Basin increased by an average 77 per cent in the same period compared with a 49 per cent increase in total US underwear imports. Caribbean Basin garment exports to the US reached 1.58bn square metres equivalent last year, 16 per cent more than 1993. *Canute James, Kingston*

Rice for steel deal is approved

Thailand's Commerce Ministry has approved a deal to supply North Korea with rice in exchange for a consignment of steel. Thailand had earlier said it would sell 300,000 tonnes of 35 per cent white rice on condition that Pyongyang begins paying a portion of the $23m owed for 100,000 tonnes of rice bought over the past two years. Thai Central Steel, which has a contract to buy North Korean steel, has been told by Pyongyang to turn over $2m it was to pay for the steel to the Thai Commerce Ministry instead. After Bangkok receives the money, the first rice consignment will be sent to North Korea. *Reuter, Bangkok*

Contracts and ventures

■ Huang & Danczky Properties, developers of Toronto's newest air terminal, signed a master agreement to finance, build and operate new terminals at Ferihegy international airport, Budapest. The project is worth more than C$200m ($142m). *Robert Gibbens, Montreal*

■ Siemens of Germany and Sorefame, a leading Portuguese metallurgical company, have won an order worth DM300m ($219m) to build 38 locomotives for the Lisbon municipal authority. The deal includes an option for another 40 locomotives. *Reuter, Munich*

Mahathir confident of Malaysia poll win

By Kieran Cooke in Kuala Lumpur

Dr Mahathir holds a letter from Malaysia's king yesterday AP

Dr Mahathir Mohamad, Malaysian prime minister, yesterday called a general election, with voting likely to take place before the end of tha month.

He said he had asked the king to dissolve parliament and added he was confident that the National Front coalition, which has a two-thirds majority in parliament, will retain power.

An election commission will meet today and announce a polling date. Campaigning is not allowed officially to start until an election nomination process has been completed.

Analysts say Dr Mahathir, prime minister for the last 14 years, is likely to want as short a campaign as possible and so give opposition parties little time to present their views.

Mr Lim Kit Siang, leader of the opposition Democratic Action Party, claimed yesterday the poll would be tha most "unfree and unfair" general election in Malaysian history. Opposition parties have protested abont their lack of access to the media and the government's refusal to lift a ban on public rallies in force for the past 20 years.

For several weeks, the Malaysian media has carried fulsome reports of the National Front's election readiness. Mass meetings of the 14-group front and Dr Mahathir's United Malays National Organisation (Umno), the party which has dominated government in Malaysia since independence from Britain in 1957, have been screened on nationwide TV.

Dr Mahathir, describing the country's economic progress as "a unique accomplishment in international history", has said that only the National Front can guarantee continued growth and political stability. The economy has expanded by more than 8 per cent in each of the last seven years.

This election will be held six months ahead of schedule. While few expect an upset, the coalition does face problems. Indications are that the front will again lose the vote in the strongly Moslem state of Kelantan, in northern peninsular Malaysia. The vote is also likely to be close on the island of Penang and in Dr Mahathir's home state of Kedah.

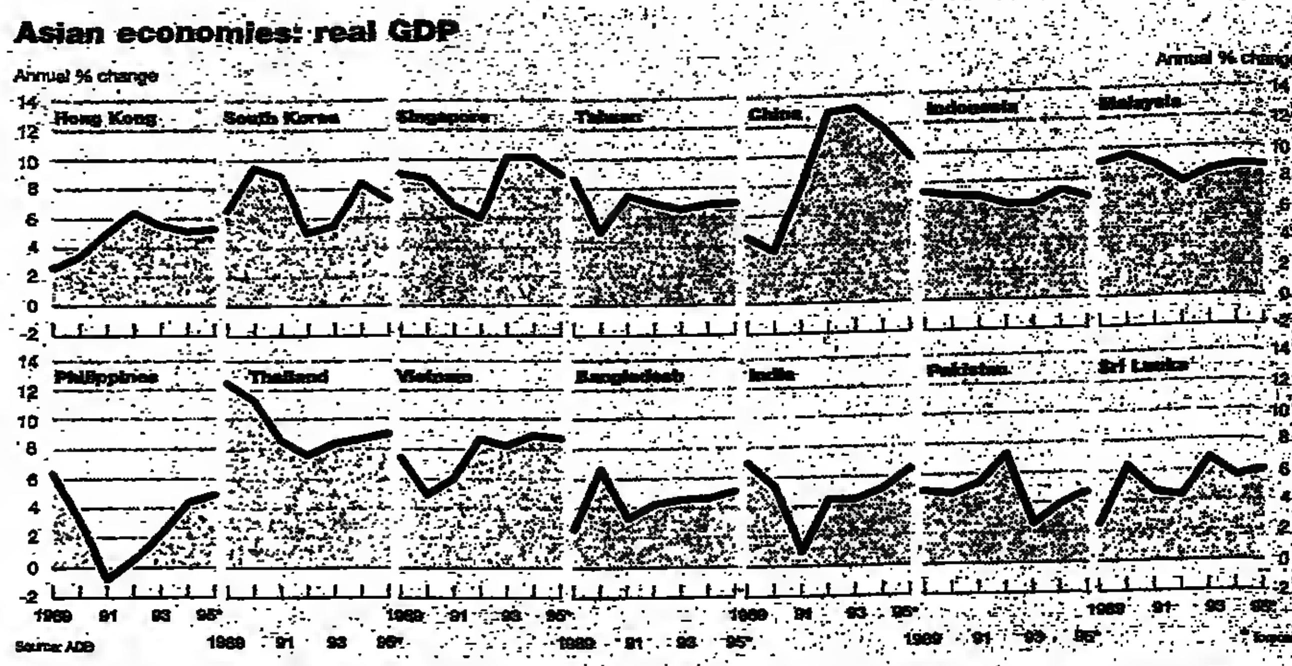
The opposition has accused the government of widespread corruption. Two members of cabinet are under investigation by Malaysia's anti-corruption agency after being accused of illegal share dealings. The opposition has also accused the government of spending millions of dollars on projects of little benefit to the country.

Members of Dr Mahathir's own party have been among those who have criticised government officials for failing to stop Bank Negara, the central bank, from foreign exchange dealings which resulted in losses of at least M$15bn (£3.7bn) in recent years.

In the last general election in 1990, the National Front won 52 per cent of the votes and 127 of the 180 seats in parliament. In this election about 9m of Malaysia's 20m people will be eligible to vote.

Asian nations' growth 'likely to slow'

But it will still be faster than elsewhere, writes **Peter Montagnon, Asia Editor**



Growth in the developing countries of Asia is likely to slow slightly to an average 7.5 per cent this year and next, from 8.2 per cent in 1994, but it will still be faster than elsewhere in the world, the Asian Development Bank said.

Its annual development outlook painted a relatively buoyant picture of the region's economy, rebutting worries of a Mexican-style economic crisis in Asia.

But it said sustained growth in the region would depend on policies to minimise inflation, budget and current account balance of payments deficits. Continuing structural reform was also necessary to keep Asia competitive. Governments must step up their efforts in education to upgrade work skills.

The report contrasted economic progress in South Asia and China. The former, it said, had generally been too slow about microeconomic reforms such as liberalisation of labour regulations and privatisation, while Chinese reform hsd started at the enterprise level, especially in agriculture.

"South Asia must place microeconomic reform higher on its agenda. Winning the political consensus necessary to push ahead with reform at the microeconomic level is the key that will ultimately determine whether South Asia's growth potential will be fully realised."

China, too, needed to reform its state-owned enterprises soon, despite concern over tha number of workers likely to become unemployed as a result. But China has to deal effectively with macroeconomic imbalances that made it difficult to control inflation and economic overheating.

Some of China's 22 per cent consumer price inflation last year reflected one-off factors such as introduction of new indirect taxes, an effective devaluation of the yuan and a decline in food prodnction. With a tighter monetary stance and a more conservative investment plan, inflation could slow in 1995 to about 15 per cent.

Failure to implement reform including restructuring state enterprises "risks hyperinflation which would bring growth to an abrupt halt and may even reverse many of the hard won gains of recent years."

In South-East Asia, the tight labour market had become a main concern. This could be mitigated by a better spread of growth with less concentration in urban centres. Thailand had introduced a range of incentives to encourage businesses to locate outside central Bangkok. "For this policy to succeed, it will be necessary to match financial incentives with investments in rural education and infrastructure."

There was a continuing need among all countries to stress investment in education. Government investment in primary education had played a critical part, but secondary education enrolment rates in many Asian developing countries were too low.

Low tertiary enrolment rates were worsened by a shortfall in students studying technical subjects. "Privata-sector involvement ought to be nurtured to ensure development of educational systems sensitive to industrial needs." The newly-industrialised economies of Hong Kong, Singapore, Taiwan and South Korea recorded a collective trade deficit last year for the first time in many years. "This may reflect maturation of their economies."

This was offset by a strong showing on the services account, especially in Singapore and Hong Kong. Korea's services account shows some cyclical sensitivity and, of the newly-industrialised group, its current account position is weakest.

Asian Development Outlook, pp261: Asian Development Bank, 6 ADB Ave, Manaluyong, Metro Manila, Philippines, tel 711-3851, fax 741 7961.

Seven Indian states aim for joint economic zone

By Mark Nicholson in New Delhi

Seven of India's northern states have agreed to create a joint economic zone aimed at removing interstate trade barriers while pursuing joint projects in such areas as infrastructure, tourism and water management.

Tha agreement, an attempt to sustain India's first internal economic bloc, is the joint initiative of the seven states and tha Confederation of Indian Industries (CII), the leading Industrial lobby. It follows a meeting of the states' chief ministers this week in New Delhi.

The ministers announced the creation from May 1 of a Council of North indian States for Co-operation and Regional Development (Concord), with a permanent secretariat.

It will be headed by the chief ministers of the seven states: Uttar Pradesh, india's most populous state, as well as Jammu and Kashmir, Punjab, Haryana, Rajasthan, Himachal Pradesh and Delhi, which has the status of a state. Combined population exceeds 240m.

Ministers said the council was an attempt to create a bloc which could act as a countervailing force to the richest and fastest growing states in western India. "The northern region lags behind In terms of industrial growth," said Mr Mulayam Singh Yadav, chief minister of Uttar Pradesh.

"This is the key reason why north Indian states should work in tandem to establish a system which would ensure the removal of all hurdles In the way of economic growth."

The move comes amid intensifying competition among states to attract direct foreign investment, after four years of liberalising initiatives from india's central government. Mr N Mathur, CII director for north India, said state ministers had still to agree on what role the new council might play in balancing states' competition and co-operation in attracting inward investment.

Six working groups will examine removal of interstate trade barriers, unification of power tariffs, joint road and other transport projects, sharing and management of power and water resources, and joint tourism and agribusiness projects. They are expected to prepare an "implementation plan" by the end of September.

Among the council's first moves, said Mr Mathur, would be to discuss the removal of "octroi", or Interstate taxes, with rationalisation of state sales tax regimes. The council is also expected to consider regional development projects.

The CII earlier sought a similar union of southern Indian states, including Andhra Pradesh, Tamil Nadu, Kerala and Karnataka, bnt the plan foundered on political differences.

Burma pushes ahead despite energy shortages

By Peter Montagnon, Asia Editor

Burmese economic growth edged np to 6.4 per cent last year from 6 per cent in 1993, the Asian Development Bank said.

Its development outlook provides a rare insight into Burma's economy which, the bank said, remains constrained by energy shortages and the government's inability to mobilise adequate domestic capital for investment. Sustained growth would require less reliance on ad hoc initiatives and a greater ability to implement fundamental reform.

The official exchange rate is "grossly overvalued", though attempts have been made to limit the impact by issuing foreign exchange certificates convertible on the black market. State enterprises consume a third of public investment but contribute only a fifth of government receipts.

The public sector deficit was cut to about 3 per cent of GDP in 1993 and 1994 from 4 per cent in 1992 and 5.7 per cent in 1991. But central bank financing of the deficit has bloated the money supply. This kept inflation at an estimated 35 per cent last year, a rate based on price changes in state-operated enterprises, and did not take account of parallel economy movements.

The current account deficit was held below 1 per cent of GDP, but inflows of aid and loans were Insufficient to finance the gap. Approvals of foreign investment amounted to $350m (£218m), mainly from Singapore, Thailand and the US.

Growth in industrial output slipped to 6 per cent last year from 11 per cent in 1993.

Japan current account hopes dashed again

By Gerard Baker in Tokyo

Hopes that a long-awaited fall In the Japanesa current account surplus might relieve the pressure on the yen were again postponed yesterday when the finance ministry announced February's current-account surplus Increased by 1.5 per cent on a year earlier.

The surplus rose to $12.33bn (£7.7bn) on an unadjusted basis, according to the preliminary report. This was larger than analysts' forecasts and enough to suggest that the underlying pressure on the Japanese currency is unlikely to abate soon.

But the rise in the yen was clearly partly responsible for the increase, since the surplus rose In US dollar terms only, as Japanese exports grew in value, and the price of imports declined. Measured in yen, the gap narrowed by 6.2 per cent.

Expectations of a sustained turnround in the current account balance had heen boosted by a sharp fall in January's balance of payments figures, but yesterday's evidence confirmed that that drop was mainly the result of a disruption in exports brought about by the Kobe earthquake.

In February, the recovery in activity helped to boost total exports 18.7 per cent on a year earlier to $34.28bn. Though imports continued to rise faster, by 32.5 per cent, they were unable to match the increase in exports, and reached just $20.97bn, leaving the trade gap at $13.31bn, 2 per cent higher than the same month a year earlier.

The deficit on the long-term capital account was again far lower than the current account surplus, suggesting that Japanese investors are still reluctant to re-invest much of the money generated from the current account surplus into investments overseas.

This last factor has been a main reason for the continuing rise in the value of the Japanese currency. In February, Japan's capital account recorded a net outflow of just $5.3bn, leaving a basic balance of $7.03bn.

● In a separate report published yesterday, the Japan External Trade Organisation said that the country's imports of manufactured goods rose by 21.2 per cent last year, to $151.7bn, the largest increase since 1988.

In yen terms, the total rose just 11.3 per cent. The largest increase by country was from China, which increased its exports to Japan by 38.2 per cent. Imports from the European Union rose 19.1 per cent, the first increase for four years, and imports from the US were 18.2 per cent higher.

ASIA-PACIFIC NEWS DIGEST

Washington drive for HK contracts

The US Commerce Department is preparing to mount a strong challenge to what it sees as British hegemony over Hong Kong procurement contracts, according to Mr Jeffrey Garten, the department's under-secretary for international trads. Mr Garten, who is to arrive in Hong Kong today, said he would focus on $15bn (£9.3bn) in contracts there and in China on his eight-day trip to the region. "We don't expect these necessarily to come to fruition when I'm there, but more senior officials than me are going to be present," he said. Projects connected with the new Hong Kong airport offered "huge possibilities for government procurement and services". US companies would also bid on environmental projects. *Nancy Dunne, Washington*

China anger at war record

China yesterday lambasted Japan over its wartime record, calling for a "profound self-examination" of the past and a commitment to redress mistakes. The People's Daily, the Communist Party newspaper, commended statements by Mr Tomiichi Murayama, Japan's prime minister, calling for a review of the past, but criticised Japanese politicians who were resisting. Mr Murayama is due to visit Beijing next month, and pressure seems certain to build for Japan to make a more fulsome apology for its wartime behaviour. *Tony Walker, Beijing*

■ China yesterday reaffirmed a commitment to avoid the first-strike use of nuclear weapons against other countries, and called for the signing of an international convention. *AFP and AP, Beijing and London*

Threat by NZ minister

A New Zealand cabinet minister given to berating anything liberal or multiracial is resisting calls to abandon his radio phone-in show and has threatened to bring down the government if forced to do so. Mr John Banks, tourism minister, warned he would bring down tha already frail minority government if he was forced to give up his "Banksie" show on Radio Pacific. His comments in the New Zealand Herald came after Mr John Carter, government chief whip, was forced on Tuesday to resign over disclosures that he had made hoax calls to "Banksie" and other phone-in hosts, pretending to be an unemployed Maori cheating the welfare system. *AFP, Wellington*

■ Four nations bordering the lower Mekong River, Thailand, Laos, Cambodia and Vietnam, signed a landmark agreement yesterday to promote better use, management and conservation of the waters of its basin. *AFP, Chiang Rai, Thailand*

■ India's state television network will launch a Hindi movie channel ahead of schedule this week in an attempt to get the jump on the Hong Kong-based Star network. *AFP, New Delhi*

Pirates pull off vanishing act

'Phantoms' find new way to steal cargo, writes **Kieran Cooke**

When the Windsor III recently pulled Into the port of Penang, off the west coast of Malaysia, everything seemed in order. Port officials checked the vessel's documents. More than 4,000 tonnes of Malaysian rubber, worth about $5.5m, was loaded on board. The ship then left for her destination in Vietnam.

The Windsor III did not arrive. Somewhere on the two-week journey from Malaysia to Vietnam it disappeared. The cargo's anxious owners phoned the Kuala Lumpur office of the International Maritime Bureau (IMB), a United Nations-supported organisation which investigates shipping crime. A few questions, a glance at Lloyd's shipping index and the picture became clear: the cargo had been stolen. The Windsor III did not exist. It was a phantom ship.

Piracy has been prevalent in south-east Asian waters for many years. But in recent months, a different form of the ancient art has emerged. A new breed of pirates can now afford to buy their own ships and under an elaborate cover of legitimacy, transport and steal whole cargoes.

Mr Joe Corless, an IMB investigator, says there is a growing incidence of these phantom ships in south-east Asian waters. "The phantoms represent one of the most complicated frauds that we have ever uncovered," says Mr Corless. "Shippers tend to think such a thing cannot go on, that it's all a bit of a fairy tale. But it does happen and there is a lot of money involved."

In a typical case, a south-east Asia-based crime syndicate will buy an old cargo vessel. The ship, of between 6,000 to 8,000 tonnes, will cost about $1m. Syndicate members then register the vessel under a new name with one of the flag-of-convenience countries. The process is relatively straightforward: for about S$7,000 ($5,000) temporary registration documents will be issued in Singapore. No inspection of the vessel is required.

The syndicate then sets up an elaborate network of dummy offices and companies with the aim of deceiving port officials and shippers. A temporary office with a secretary might be opened in Singapore. Letters will be written under forged letterheads. Various ship's documents will be forged. A crew will be hired and all given false passports, usually made up in either Jakarta or Bangkok.

> 'If the tanker had exploded, it would have been like an atom bomb going off'

The syndicate selects its cargoes carefully. They need to be easy to transport and trade. Recently, the price of rubber and palm oil had been rising sharply on tha international market. The syndicate will know when certain shipments are likely to be made and where they are going. It then moves in to launch its "sting".

After the vessel sails out of port, the crew changes the name. The Windsor III became the Asoke II. Instead of going to Vietnam, it went to Beihai, a port in Guangxi Province in the south of China. According to the IMB, almost all the stolen cargoes eventually find their way to China.

Tracking down ships that do not exist is a tough job. The IMB can advise the shipping trade and, through informants within the indnstry, help unveil fraud. But It has no police or customs powers. Cases are complicated because they usually Involve several jurisdictions and agencies.

A vessel might be registered in a flag-of-convenience country, hava a crew from the Philippines, Bangladesh and India, be supposedly owned by a subsidiary of a Thai company operating out of an office in Singapore, and be tracked down to a small port in China.

"In the Windsor III case, we were lucky," says Mr Corless. "The cargo's owners were suspicious and notified us quickly. If we can't trace the ship while it still has the cargo on board then it's virtually impossible to take any action." But there are still problems.

Cnstoms anthorities in China impounded the cargo of the Windsor III but somehow the ship escaped from port. Shippers might have to wait a long time to retrieve their cargo. The Windsor III/Asoke II is now probably involved in one more "sting" operation, sailing under yet another name.

The IMB is at present investigating four cases of phantom ships, all in south-east Asia. It feels several other cases go unreported, probably because a shipper is unwilling to believe he has been the victim of such an elaborate fraud.

While the incidence of such fraud is small compared with the total shipping trade in south-east Asia, the IMB points to some trends that should cause concern to anyone sailing the region's seas. World-wide, there were 90 recorded pirate attacks last year. More than 70 per cent of those attacks were in south-east Asian waters.

Shipping trade officials say a combination of lax controls and corruption in many countries in the region has facilitated the growth of these phantom-ship syndicates and pirate gangs. These modern pirates have little in common with the old, popular image: they sail in high-powered speedboats. Sometimes they wear military uniforms. Most disturbingly of all, they seem to be well armed and ready to use violence.

In one incident last year, pirates attempting to board a vessel loaded with liquefied natural gas fired at the ship's hull. "If an LNG tanker exploded it would be like a mini-atom bomb going off," a Singapore-based shipping industry consultant said. "The activities of these phantom-ship syndicates and pirates have to be stopped before something really disastrous happens."

مكبرا من الاصل

هكذا من الأصل

MINKE ESTIMATES CHALLENGED

Norwegian whale data put in doubt

By Karen Fossli in Oslo

Errors have been found in the software daployed by Norway to base estimates of the North Atlantic minke whale population to justify its argument in favour of a resumption of whale killing. It used the figures in 1993 in defiance of an international ban on culling imposed by the International Whaling Commission.

The revelations were disclosed in a confidential document from the Norwegian Computing Centre and the University of Oslo which ran the software program for Norway's Scientific Research committee. It was leaked to a Norwegian television channel, TV2 and a copy acquired by the Financial Times.

In addition to the software errors, inaccuracies bave been discovered in Norway's mathematical calculations, which form the basis of the software program.

According to Mr Justin Cook, a member of the IWC's scientific committee when be tried to reproduce Norway's minke whale population estimates he got a lower figure of 53,000 whales compared with Norway's 86,700.

"The IWC last year approved a revised management procedure (RMP) whicb is a new system for setting catch limits. The effect of reduced population estimates would be to reduce the possible catching levels," he said.

This means that, based on the fresh estimates, it would be very difficult for Norway to justify new catcb quotas because they would bave to be small or possibly zero.

Norway's quota for 1995 is 301 minke whales, unchanged from 1994. Whaling is scheduled to begin on May 2, however, one month earlier than the start of last year's hunt, and nearly one month ahead of the IWC's annual meeting.

Norway applied the commission's RMP to determine this year's quotas, but this is only valid if the minke whale population astimates are left unchanged.

Unable to confirm Norway's estimates, Mr Cook said initially he could not explain the difference between the two findings and, as a result, tbe IWC appointed a special working group, of whicb he was a member, to review the discrepancy.

Tbe group met in Oslo at the end of January wben it analysed the different findings. Its conclusions are due to be presented to the IWC on May 29 in Dublin.

Errors in data program blamed by Norway's whale researchers

"We bave discussed this issue with Professor Lars Walloe, bead of our scientific wbale research programme, and he said this concerns just small errors in the data program," a Norwegian official said yesterday. He said that once the discovery was made, there was agreement on how the errors would be corrected.

"This implies that no change in the previous estimates of the whale population will be necessary," the official said.

The official said Norway has decided to start its whale hunt one month earlier than in 1994, because it wants to conclude the culling before starting a new, four-week research project on July 3, comprising 10 vessels, to gather fresh information about the minke whale population.

The new findings could undermine the credibility of Norway's request to base minke whaling on scientific proof that the species needs to be cootrolled because it poses a threat to fish stocks.

Tutsi and Hutu test world's stomach again

A year on and there is more blood in the air, writes Michela Wrong

As the traumatised citizens of Rwanda and Burundi remember the downing a year ago of a jet carrying their presidents – the event that triggered genocide in the former and brought its neighbour a step closer to civil war – nerves are stretched to breaking point.

In Kigali, the Rwandan capital, wbere the Tutsi-dominated government plans to put on trial today the first of 30,000 detainees suspected of murder and other crimes, the army is on the alert. Fearing a symbolically-timed raid by exiled Hutu militiamen operating from bases in Zaire, they have tightened security at checkpoints into the city. The run-up to the anniversary has seen a surge in arrests, with the already dangerously overcrowded prisons taking in an extra 1,500 detainees eacb week.

In Bujumbura, Burundi's capital, the fragile coalition of Hutus and Tutsis is struggling to rein in the panic spreading among both its own population and 200,000 Rwandan refugees camped in the north. As reports of civilian massacres by the Tutsi-dominated army and Tutsi extremists emerge, 55,000 Hutu refugees are clamouring for entry into Tanzania, which has slammed its frontier shut.

One year after that still mysterious rocket attack at Kigali airport, trust between communities in both countries has deteriorated, and further bloodshed becomes more likely.

"There is an enormous atmosphere of fear, dread and suspicion which affects almost everyone: fear of attack by extremists, fear of government reprisals for those attacks, fear of one man for his neighbour," says an aid worker.

With 2.2m Hutu refugees still stubbornly camped in Zaire, Uganda and Tanzania, talk of "national reconciliation" in Rwanda has an increasingly hollow ring. But some kind of return is becoming inevitable. Aid organisations, their supplies hit by western "donor fatigue", have cut rations to the camps. Fuel and water will soon start running ont in Zaire's Kivu province and Tanzania, fast heing stripped of its woodland.

But with each passing day a return becomes more problematic as Tutsi "fifty-niners" – long-term exiles who flooded hack after the Hutu government fled – put down roots on the land and in abandoned houses.

Mr Paul Kagame, the defence minister is haunted by a different kind of homecoming: that of 40,000 exiled Hutu fighters, rearming in preparation for an invasion. The ever-present threat has made a return to civilian lifa impossible.

For months now all eyes have been on Burundi, where a rise in killings by extremist militias from both sides and the increasing polarisation of the Hutu and Tutsi communities has prompted repeated predictions that the country is about to go the same way as Rwanda.

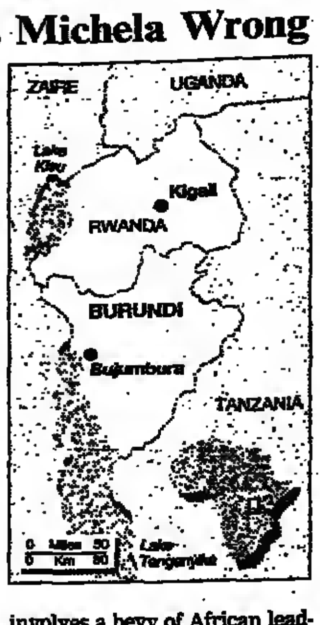
The comparison is rejected by those on the ground. "The vital difference is that in Rwanda you bad an extremist party in power long enough to prepare and carry out a plan to wipe out the opposition," says Don Redding, spokesman for Save the Children Fund. "In Burundi the extremists are gaining strength hut they are not in power, they are destablising moderates in government wbo are clinging to the institutional safeguards that remain."

Diplomats and aid workers say Burundi is approaching breaking point, with the government no longer really in control of what happens outside the capital. But many believe the international community can still help pull the country back from the brink.

Mr Redding believes it is vital for western diplomats, UN representatives and foreign aid workers based there to stay put, mediating between the two sides, supporting tha institutions and publicising atrocities, if the serious tronble starts.

"When the UN rushed out of Rwanda as soon as the massacres began, it gave out precisely the wrong signal – the messaga was that this was Africans killing Africans and the west was going to stay out of it. It was the go-ahead to what followed."

Increasingly, observers are calling for a regional approach to the problems, which now spill across at least five countries, rather than the piecemeal efforts so far. But that



involves a bevy of African leaders burying personal ambitions and long-standing rivalries for the greater good.

For human rights groups, chafing at the slow pace set by Rwanda's international war crimes tribunal, there can be no solntion to the region's problems until those responsible for tha atrocities are brought to book.

Ms Alison Desforges, of Human Rights Watch-Africa, believes reconciliation is impossible until there has been a clear delineation of guilt. Failing to punish the killers is a way of legitimising the deliberate stirring up of ethnic hatred as a political weapon.

"In a region this unstable we must put a stop to the use of slaughter as a means of taking political power. What happens over the next 10 years depends on how serious the international community is abont delivering justice."

The issue stretches beyond Rwanda and Burundi – it applies to the many other African governments playing the tribal card. In a report issued to coincida with the April 6 anniversary, Human Rights Watch argues that it is time tha international community stopped allowing itself to be lulled into inaction by the line that such hloodshed is the result of ancient ethnic animosities.

The world, it says, must learn to recognise how governments foment, manipulate and direct communal tensions to political ends, and start holding those using such methods to account.

Algeria hints at talks between warring factions

By Roula Khalaf

A renewal of political dialogue between warring factions in Algeria is at hand, Mr Mohamed Salah Dembri, Algeria's foreign minister, suggested yesterday.

"All ideas are acceptable as long as presented by Algerians in Algeria," Mr Dembri, the public face of the so-called conciliators within the Algerian regime, said in London.

Mr Dembri's official visit to the UK coincides with the beginning of consultations with political parties on planned presidential elections.

Since last November, the Algerian regime has stepped up its efforts to crush Islamist militants who have been fighting security forces since 1992, when the government cancelled elections that the Islamic Salvation Front (FIS) was poised to win.

President Liamine Zeroual, meanwhile, has insisted be will hold presidential elections hy the end of the year and invited political parties to contribute ideas to the preparations.

Opposition parties, while convinced elections in a climate of terror are a futile exercise, are seizing the opportunity to relaunch a national dialogue by presenting proposals for a way out of the crisis.

After a meeting the president on Sunday, officials from the National Liberation Front (FLN), Algeria's former ruling party, issued a letter proposing that serious talks include the FIS and aim for a ceasefire as a first step.

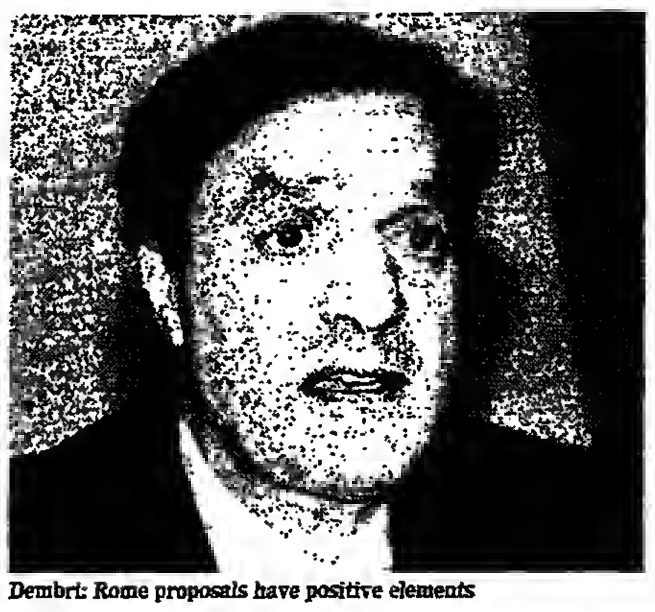
This proposal is based on a national contract signed by opposition parties, including the FIS, in Rome in January. The FLN is said to have met the other signatories to the national contract before seeing the president.

The Rome platform was strongly rejected hy the government as foreign interference. It has, however, repeatedly received kinder words from Mr Dembri, who said it included positive elements such as commitment to democracy and alternation of power – all shared hy the presidency.

Mr Dembri suggested yesterday that the FLN's initiative and others would be taken seriously as long as they were put within the framework of presidential elections. Hinting at certain flexibility, he said discussions were aimed at fixing a date for presidential elections hut the ways of reaching the elections were debatable.

"What is happening now and it is a good thing is that ideas are being presented," he said. "It matters little if the approaches are different, as long as it is to reach the same objective. What is essential is for the president to gain assurances with regard to a return to the electoral process."

Mr Dembri's portrayal of a flexible army-backed Algerian government will be put to test in the coming months, as hardline and moderate generals attempt to reach a consensus on how to react to the opposition's renewed proposals.


Dembri: Rome proposals have positive elements

Kibbutzim to sell land as part of rescue deal

By Eric Silver in Jerusalem

The Israeli government yesterday approved a Shk5.9bn (£1.2bn) rescue package for debt-ridden kibbutzim, or communal settlements. It combines a government bail-out, a partial debt write-off by the banks and the sale of 17,500 acres of kibbutz agricultural land for housing.

Of a total of 270 kibbutzim with a population of 125,000, just over 100 are in serious financial difficulty, 32 of them to the point where they cannot make even a token payment. The crisis threatened to destroy their egalitarian dreams, already eroded by economic development and middle-class expectations. But their historic contribution to border security and agricultural innovation persuaded successive governments, right and left, to try to save them from humiliation.

Their troubles date back to the early 1980s, when inflation was running as high as 400 per cent and banks were profligately lending money unlinked to the cost-of-living index. The kibbutzim, aager to axpand their agricultural and industrial base, borrowed on a massive scale on the assumption that inflation would cover their interest commitments.

When the national-unity administration of the mid-1980s reduced inflation to double figures, they were caught with multiplying debts at high interest rates to banks suddenly imposing more rigorous discipline on their customers.

The rescue will be spread over five years. The government will allocate at least Shk1.5bn and the banks will write off about Shk2hn. The kibbutz land sales are expected to raise about Shk2bn hut the exact value of the 17,500 acres has yet to be determined, as has the effect on prices of unloading so much land on to the market.

The proceeds will be divided between kibbutzim in the centre of Israel, where development land is at a premium, and their poorer comrades on the periphery.

Mr Avraham Shohat, the finance minister, warned yesterday that they still had a long way to go. "This was a letter of intent," he said. "We need legal guarantees to complete arrangements with the banks. Today's decision provides a framework for action and offers a solution for most of the kibbutzim."

Mr Shohat added, however, that some of the weaker settlements might still have to be wound up.

Springing a U-turn on climate

Developing nations have turned the tables, writes Haig Simonian

Appropriately the document which offers the hest way out of the impasse at the United Nations conference in Berlin on climate change has been dubbed the "green paper".

But the draft, prepared hy 42 members of the G77 group of developing countries, is making some developed countries see red.

They must tackle the green paper's contention that existing measures to cut greenbouse gases are inadequate, and deal with its call on industrialised countries to reduce emissions of carbon dioxide, the most common greenhouse gas, by 20 per cent of 1990 levels by 2005.

By drafting the paper, the developing nations have put tbe onus on industrialised countries, known as Annex I states in UN jargon, to come up with counter proposals on how to tackle climate change. The Annex 1 countries are bamboozled: no one expected developing states, including heavyweights sucb as China, India and Brazil, to make such a U-turn.

At the 1992 Rio da Janeiro earth summit, the G77 portrayed greenbouse gases as the industrialised world's problem. They argued thet carbon dioxide emissions in some industrialised states were up to 20 times those of developing countries. Therefore G77 members had no reason to handicap their fledgling economies to achieve a marginal fall in global emissions. That stance has subsequently hardened on the back of evidence that most Annex 1 countries will not meet Rio targets.

But the green paper's reference to the "inadequacy" of the Rio commitments suggests developing countries acknowledge climate change is a mutual problem. Admittedly that recognition is only implicit. The paper states that developing countries should make "no new commitments" on climate change and responsibility remains with the industrialised world.

However diplomats from Annex 1 countries are convinced attitudes have shifted. They are also buoyed because the green paper is backed by countries, such as China, whicb had previously been agnostic about climate change. Western diplomats hava argued that with their emissions spiralling, states such as China, Brazil and India could not remain permanently aloof.

Moreover support for the green paper is rising. More than 60 states had backed it at the last count, compared with 42 signatories at the outset. That bandwagon is leaving the Organisation of Petroleum Exporting Countries, opposed to greenhouse gas reductions, increasingly isolated.

Now the conundrum for Annex 1 countries is bow to react. Their paralysis stems from the fact that they are deeply split.

All want to extend greenbouse gas reductions gradually to developing countries. They also hope to persuade the G77 to accept "joint implementation" whereby a country can credit sponsored greenhouse gas reductions elsewbere against its own targets.

A minority, bowever, is unwilling to commit itself to any targets or timetables for reductions. This group, dubbed JUSCANZ (Japan, the US, Canada, Australia and New Zealand), has mixed motives. Australia's dependence on coal exports for foreign earnings underlies its hostility to measures which might restrict carbon dioxide emissions. In the US and Japan, policy-making is influenced by powerful motor car lobbies, which are also biased against tougher action.

Bonn is poised to become the home of the permanent secretariat of the UN convention on climate change after informal voting yesterday, writes Haig Simonian in Berlin. The decision will come as a relief to the German government, which has sought new uses for buildings when it transfers to Berlin around 1998.

This week, Mr Klaus Töpfer, the former German environment minister who is in charge of the construction portfolio, said the government intended to announce alternative uses by July.

The Berlin conference has had an impact on political science, as the splits within industrialised states and developing world suggest differences on climate change have transcended the established north-south division on most international issues. Instead tbe cleavage appears to be largely batween producers of energy (notably coal) and consumers.

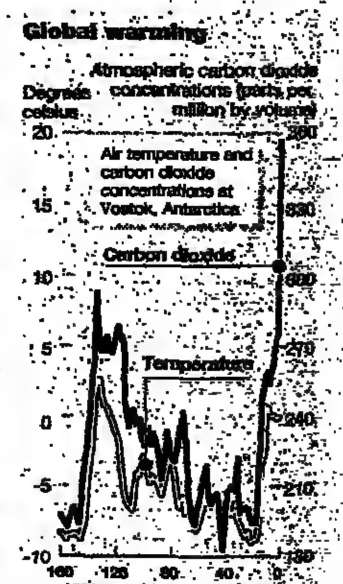
But a successful conclusion of the conference is no more likely for that. Talks among Annex 1 countries have centred on a reworked version of the G77 document. This would incorporate amendments from industrialised countries but is so hedged with conditions as to be unworkable.

Surprisingly, the EU, which played a central role in bridging differences between industrialised countries in Rio, has not dona the same in Berlin. Although the EU position on emissions is not as radical as the green paper's, it calls for a stabilisation of CO2 carbon dioxide emissions at 1990 levels after 2000 and backs talks on a mandate for a new protocol to be signed by 1997.

Mr John Gummer, the UK environment minister, argued yesterday that the EU has had to be particularly discreet in Berlin to avoid complicating the position of Mrs Angela Markel, Germany's environment minister. Her impartiality as confarence president could be questioned if the EU were seen to be lobbying too hard, he says.

Whatever the EU's involvement, it is the most credible honest broker in Berlin. The proof of its effectiveness, discreet or otherwise, will come tomorrow when the conference winds up, ideally with a mandate to negotiate a new protocol on climate change.

Global warming



Source: Various academic research papers

London solicitor charged in BCCI probe

By John Mason, Law Courts Correspondent

New York state prosecutors yesterday charged a senior City of London solicitor with three counts of suppressing evidence to prevent it being seen by US investigators probing the collapse of the Bank of Credit and Commerce International.

The charges, two of tampering with evidence and one of conspiracy, were brought against Mr David Sandy, a partner with the London law firm Simmons & Simmons.

They allege that Mr Sandy, who acted for the majority shareholders of BCCI, illegally concealed the business diary of Mr Zafar Iqbal Chowdry, the chief executive of the bank at the time of its collapse in July 1991.

Announcing the move, Mr Robert Morgenthau, the Manhattan district attorney, said six other people, including four other partners with the law firm, are also accused of participating in the conspiracy.

However, Mr Sandy is the only person to have charges brought against him by the New York authorities. The four other Simmons & Simmons partners accused of being party to the conspiracy havenot been named and are referred to in the indictment by number only. The other named co-conspirator as a Mr Shaun Elrick, a New Zealand solicitor hired by the law firm to review the diary.

The New York authorities said Mr Sandy had declined to appear in the US voluntarily to be charged and his extradition from the UK would now be sought. The charges against Mr Sandy all carry a maximum prison sentence of four years on conviction.

Simmons & Simmons last night declined to comment on the charges brought against Mr Sandy.

According to the indictment, Mr Chowdry's diary contained details of conversations he had held with other BCCI officials, the majority shareholders and the bank'a auditors over a 16 month period before the bank collapsed. The diary existed in various forms including computer discs, hard-drive and print-outs and in mannscript form.

The indictment alleges the conspirators including Mr Sandy agreed to use "any means necessary" to keep the diary from parties whose interests were hostile to the majority shareholders.

"Specifically, the conspirators agreed to suppress the Zafar Igbal diary by the deception against other persons and by destruction, alteration and concealment of the various forms in which the diary existed," the indictment states.

It is also alleged that the conspirators plotted to erase diary material from computer discs.

Mr Morgenthau said the bank's majority shareholders, which included members of the Abu Dhabi royal family and the Abu Dhabi Finance Department were unaware of Mr Sandy's allegedly illegal activities.

Radical plan for company rescues

By Jim Kelly, Accountancy Correspondent

The British government yesterday proposed a radical new procedure for dealing with companies in financial trouble in which the directors of an enterprise on the verge of collapse would be given 28 days to put together a rescue plan.

During the moratorium, the company would be protected from the demands of creditors but the directors would be supervised by a licensed insolvency practitioner.

The proposals, which mirror in part US Chapter 11 insolvency laws, were publisbed yesterday by the department of trade and industry.

In his most recent Budget, the chancellor, Mr Kenneth Clarke, said measures would be taken to promote a "rescne culture" and stem wasteful liqnidations of potentially sound businesses.

The measure follows steps to promote rescues which were introduced in 1986 and which the government believes worked well during the last economic downturn. Further reforms are being considered – including highly controversial plans for creditors to be offered equity for debt.

The proposals published yesterday are designed specifically to help small businesses with cashflow problems which in the past were destroyed by a scramble for assets once their troubles become known to creditors.

Since the concept of a moratorium was put forward in 1993 it has received substantial support, but there were misgivings about the powers directors would retain during the 28-day period and the protection of assets.

Mr Jonathan Evans, corporate affairs minister, said: "Our earlier conanltation revealed a broad consensus that there should be a short moratorium to allow financially troubled companies a breathing space during which to put together a rescue plan."

The Society of Practitioners in Insolvency said the proposals deserved a "broad welcome" especially as the government had inclnded measures which would restrict the powers of directors.

The proposals announced yesterday contain several significant safeguards for lenders and creditors. The scheme can not be set up until the practitioner is satisfied there is a "reasonable prospect" of success – and that should include talks with the creditors.

A creditors' meeting must be held within 28 days of the start of the moratorium. If more than 75 per cent of the crediters, by value, support proposals, it is binding. These safeguards may help deflect opposition from the banks, which have expressed misgivings about moratoriums.

Canary Wharf rises above the brickbats

Simon London sees brighter prospects ahead for the site in London's Docklands

Investment bankers in the City of London no longer smile dismissively at the mention of Canary Wharf, the massive office development in Docklands which went into receivership three years ago.

One reason is that the development has attracted tenants far faster than most observers expected. Barclays de Zoete Wedd has just signed up for 510,000 sq ft of space to house staff spread around smaller offices in London. Now less than 1m sq ft out of 4.5m sq ft remains vacant.

Other tenants attracted to Canary Wharf include the Personal Investments Authority, the regulator for UK personal financial services, and the European Medicines Evaluation Agency.

These organisations could, in turn, attract companies which want to be close to their regulator. Canary Wharf recently started to make available small office suites for companies which want to open regulatory affairs offices.

While BZW has promised its staff special payments to compensate for the move, few in the City expect the firm to suffer an exodus.

The extension of London Underground's Jubilee Line, which will link Canary Wharf with the West End of London, is due to open in 1998. The reliability of the Docklands Light Railway, which runs into the City, has improved while road improvements have cut journey times.

Trends in the wider property market also appear to be moving in Canary Wharf's favour:

● Many companies are thinking about moving out of the City and West End, after a lull during the depths of recession. Like BZW, they are motivated by the desire to rationalise sites.

Favoured destinations are within the immediate orbit of central London – including Docklands – offering modern space more cheaply than the City or West End.

● Although there is an overhang of vacant space in the City – up to 12m sq ft – most unoccupied buildings are old or small. Investment banks, which require new buildings and open trading floors, have few choices. The City cannot boast a single vacant building large enough to bouse BZW.

● Canary Wharf's surroundings will improve as development activity returns elsewhere in Docklands. In the mainly derelict Royal Docks area at the eastern extremity of Docklands, there are plans for an exhibition centre the size of Earls Court and Olympia combined, an urban village, a university, science park, commerca park and retail development.

While the Royal Docks development programme will not add directly to the stock of office space, it may give Docklands critical mass in other respects which would add to its attractions as a business location.

Canary Wharf has also achieved financial stability. Rents cover interest costs and property values are rising as tenants are found. The 11 banks which own the development – including Barclays, BZW's parent – could realistically hope to sell or float the company within three years.

Sir Peter Levene, chairman and chief executive of Canary Wharf for the past two years, recognises that the nature of his task is turning from crisis management to long-term development.

The original design envisaged 12m sq ft of office space, so only one-third of the grandiose master plan was ever built. But before work stopped, foundations had already been dug for two further buildings – numbers 17 and 20 Columbus Courtyard – amounting to 340,000 sq ft.

"There is no question of us building speculatively but if we find a tenant we can deliver a new building faster than the competition," said Sir Peter.

With office development returning to the City after three years of inactivity, though, competition for financial sector tenants is now especially intense.

Developers have already started work on a handful of large speculative schemes. Many more are poised to start if a tenant can be found.

Banks such as Deutsche Bank and ABN Amro, both looking for new headquarters buildings including trading floors, can choose between half a dozen potential sites in the City. The Corporation of London, the City's local authority, is fighting hard not to lose more prestigious tenants.

Canary Wharf will benefit as its surroundings are improved

Dealing room technology market 'at £2bn'

By Paul Taylor

The UK markat for dealing room technology - used mainly by banks, brokers and institutional investors - is worth more than £2bn-a-year ($3.24bn), according to a survey published this week by Kimsey Consulting, the London-based financial technology market research group.

Abont £900m of this total will be spent on the purchase of new technology, with around half of this available for the purchase of new hardware including personal computers.

According to Mr Stephan Kimsey, the report's author, another £1bn will be spent by dealing rooms to fund their technology running costs, including information service subscriptions and licence fees for software applications and systems.

The demand for new dealing room systems recovered sharply in 1993 in the aftermath of the recession and remained buoyant last year with half of all UK dealing rooms undertaking some form of technology upgrade during the preceding 12 months

Looking ahead the report predicts that demand will remain strong with around 25 per cent of UK all dealing rooms planning to replace or upgrade a substantial part of their technology infrastructure this year.

Interestingly, although the survey was completed before the Barings bank collapse, it points to a significant increase in demad for risk management systems and, to a lesser extent, on-line trading analytics.

Real-time data aervices remain the top UK dealing room IT purchase priority, but risk management systems, the tenth highest priority last year, are ranked second, displacing on-line news services.

Reuters remains the dominant vendor in tha UK market with around 90 per cent of UK financial institutions using a Reuters information service. Other large vendors include Dow Jones Telerate, Bloomberg and Knight-Ridder Financial.

Clinton accepts UK plan for Ulster peace process

By Robert Peston, Political Editor

US President Bill Clinton has agreed to a UK proposal that he should rebuild US relations with the Ulster Unionists, in the wake of controversy President Clinton caused by inviting Mr Gerry Adams, the Sinn Féin leader to the White House last month.

As Mr John Major last night returned to the UK by Concorde after a four day visit to Washington, British officials present at meetings between the British Prime Minister and members of tha White House administration said Mr Clinton had accepted three proposals made by the British party on moving forward the Northern Ireland peace process.

The three proposals were:

● that the US administration should attempt to rebuild links with the Ulster Unionists, starting with next month's Northern Ireland investment conference.

● A firm of auditors should be appointed to make sure that funds raised by Sinn Féin in the US do not find their way into arms purchases by the IRA.

● Sinn Féin, political wing of the IRA, must accept that talks on decommissioning weapons should in no way be linked to any decision by the UK government to return soldiers in Northern Ireland to barracks or to return to a condition of civil policing in the province.

The most detailed talks on Northern Ireland took place at a breakfast on Tueaday between the UK prime minister and Mr Al Gore, the Vice-President.

A UK official said that in the half-honr discussion of Northern Ireland, Mr Gore accepted all the British proposals. Later, Mr Clinton confirmed he would adopt the new approach in a further half hour chat on Northern Ireland with Mr Major.

The US administration is understood to have been shocked by the criticism it received in the UK and Northern Ireland last month when it gave an entry visa to Mr Adams and allowed him to raise funds in the US.

At Tuesday's joint press conference the UK and US leaders, Mr Clinton criticised Mr Adams for not moving fast enough on arms de-commissioning by the IRA. "The president was extremely generous," said a UK official.

A UK official said Mr Clinton had agreed – if asked – to say that decommissioning by the IRA should preceed any deciaion by the UK government to scale down its military presence in the province.

Four alleged members of the outlawed Irish National Liberation Army were last night due to appear before Dublin's special criminal court after what is thought to be the largest arms aeizure since last year's paramilitary ceasefires. The INLA, which broke away from the IRA in 1975, has refused to join the ceasefire.

The detention of the four will provide further backing for the UK government's tough stand on the decommissioning of weapons during exploratory talks with Sinn Féin and loyalist representatives.

Irish police, who intercepted the two vehicles in Balbriggan, north of Dublin, said the arms – 26 guns and more than 2,000 rounds of ammunition – were destined for the North.

UK NEWS DIGEST

Bank governor pressed by MPs over Barings

The Bank of England was not told of £760m in cash advanced by by Barings, the collapsed UK merchant banking group to the Singapore trading unit run by Mr Nick Leeson, Mr Eddie George, governor of the Bank said yesterday.

Mr George told MPs on the Commons Treasury and Civil Service select committee that the Bank was not informed about the advances, which members of the committee said appeared to breach provisions of the 1987 Banking Act. He said that it was "impossible" for the Bank to know the "day to day details of every exposure" and whether a bank had breached a rule that it should not advance more than 25 per cent of its capital to a single borrower.

"It is a criminal offence to advance that amount of money without telling us", said Mr George. He said that the question of whether Barings directors had breached the 25 per cent limit would be a central issue in a Bank inquiry.

Mr George said that in order to pick up all possible cases of breaches of law, the regulatory structure would have to be "enormously much more intrusive". This would both cost more money, and risk hampering legitimate activities. He told the committee that "if there are management failures, the question is how you can be certain that will be brought to your attention as soon as possible and not, as in this case, ex post facto (after the fact)."

Senior Barings directors were heavily criticised by Labour MPs on the committee. Mr Brian Sedgemore, Labour MP for Hackney North and Shoreditch, accused them of being "incompetent, negligent and naive". Mr Sedgemore produced a number of internal documents, including one prepared by Barings' administrators detailing advances of £760m – more than the bank's capital base – made to cover trades by Mr Leeson up to February 23. *John Gapper, Banking Editor*

Phoenix project given a year

GEC-Marconi, the defence arm of GEC, has been given a year to sort out the problems with its Phoenix unmanned reconnaissance aircraft at its own expense, or the ministry of defence will cancel the programme and order a replacement from overseas.

The Phoenix is designed to act as en unmanned low-flying spy-in-the-sky over battlefields. But it is six years behind schedule and its estimated cost has risen from £80m to £227m over the past decada. In trials the aircraft is still suffering serious crash damage on landing, with the critical radar detectors being crushed on impact. The aircraft's engines may not be powerful enough for long missions loitering over the battlefield or for operations in hot climates.

GEC says that it is confident that it can fix the problems within a year, but the MoD is carry out early assessment work on possible replacement aircraft from overseas suppliers in case it is unhappy with GEC's remedial efforts.

Final details of the agreement are still being worked out, and GEC will have to hit milestone targets during the year, with all additional costs being met by the company. A programme of further flight trials is planned, and the MoD will suspend all payments on the project to GEC until they have been successfully completed. *Bernard Gray*

Union ruling 'will be obeyed'

The British government is to comply at the minimum possible level with a European Court ruling that an employer must consult a recognised trade union or "elected representatives" of employees affected by collective redundancies or a business transfer of ownership.

The government yesterday set out plans which would affect only companies which dismiss more than 20 employees over a 90-day period. An estimated 96 per cent of companies would be exempt. An employer would not have to consult a recognised union on the two issues regardless of whether it recognised the union for other purposes. The government emphasised that companies need not have standing representative arrangements – *ad hoc* arrangements could be made when the need arose.

The government said it would not specify the way employee representatives should be elected or restrict who might be elected. "The representatives need not themselves be employees", it argues. Mr Michael Portillo, the employment secretary, hopes to introduce a regulation to enforce the proposed change next month after a brief period of consultation ends on 14 April.

Mr John Monks, TUC general secretary, said removing the alternative means of consultation to recognised unions would be a "sham." But he broadly welcomed the decision as "the opening of a significant new chapter in British labour law". *Robert Taylor*

Criticisms of City rejected

The City of London has been unjustifiably used as a scapegoat for the long-term underperformance of British industry, according to a report published yesterday. The report, commissioned by the Corporation of London from London Economics, tha independent consultants, rejects widespread accusations that the City has done less to support business than its counterparts in other European capitals.

It claims that London beats the rest of Europe in the availability of equity finance and venture capital and in the range of financial services offered to small and medium-sized companies. The report says that 85 per cent of the City's services are employed domestically, with two-thirds going to the UK industrial sector.

Prof John Kay, the chairman of London Economics, said that criticism directed at the City could more appropriately be levelled at the failure of British industry to use effectively the full range of financial services available to them. He cited poor quality of management and the absence of good training and education programmes among the reasons for industry's weak performance. *Michael Cassell*

Wartime state planning seen in new light

By Gillian Tett, Economics Staff

Modern Tories love to hate it, and the new-look Labour party barely mentions it. But in an era when a state planned economy has become a deeply unfashionable concept, the notion has received a small, unexpected, historical round of applause.

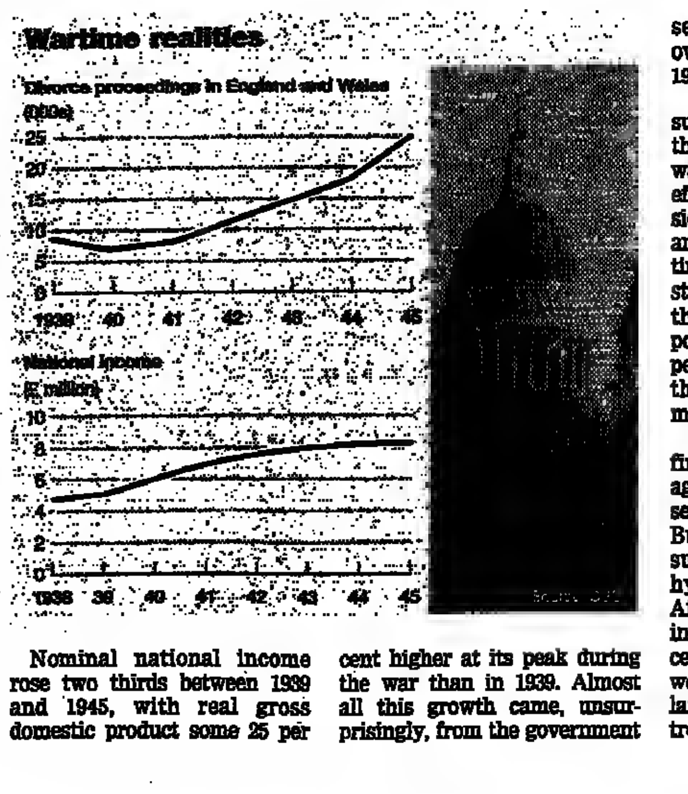
A new collection of data published by the Central Statistical Office today suggests that the British economy performed remarkably well during the Second World War – largely due to the tight state planning imposed on the economy to cope with the emergency.

The findings, which come ahead of the 50th anniversary of Victory Day next month are likely to challenge some common myths about life during the period. For in spite of the damage inflicted on the country, the economy not only expanded rapidly during the war, but a large part of the population actually saw their living standards rise.

Meanwhile, the popular belief that the country pulled together during the hardship has been undermined by figures showing that crima surged during the period – and the divorce rate almost trebled.

The findings come from a report designed to mark the peace celebrations next month, and highlight the CSO's own origins.

In an effort to establish effective state control over the economy, Sir Winston Churchill, the prime minister of the time, created the CSO in 1941 to collect data on matters ranging from bomb production to treacle output to the level of syphillis in the population. The results of this initiative, published today, suggest the Government's attempts to channel resources into the war effort through state planning were surprisingly effective.



Nominal national income rose two thirds between 1939 and 1945, with real gross domestic product some 25 per cent higher at its peak during the war than in 1939. Almost all this growth came, unsurprisingly, from the government sector, which accounted for over half of all expenditure by 1943.

But although private consumption fell back sharply as the consumer goods industry was diverted towards the war effort, the government's decision to provide food rationing and health services for the first time resulted in rising living standards for some sectors of the population. The British population actually grew by 3 per cent during the war – even though there were an estimated 360,000 war deaths.

With much of the war financed by special lending agreements from the US, overseas debt levels soared rapidly. But the government largely succeeded in avoiding any hyper-inflationary spin-off. After 1942 the annual wage increase never exceeded 5 per cent. Cost of living indicators were basically stable after 1941, largely as a result of price controls on basic items.

TECHNOLOGY

The day of reckoning is at hand for the tens of thousands of businesses, government agencies and colleges that have linked their computers to the Internet – the vast and fast-growing global web of computer networks.

This week Satan, a devilisb computer program designed to sniff out security weaknesses in compnter networks, is being released on to the Internet free to anyone wbo wants to use lt. Satan (Security Administrator Tool For Analysing Networks), will rattle doors and windows in cyberspace in search of any that might be unlocked.

The program makes it easy to penetrate the defences of an estimated 5m Internet-linked computers around the world.

Any Internet user with a reasonably powerful personal computer will be able to copy the program free. Satan's creators have designed it as a tool for computer systems administrators; but computer security experts fear that the easy-to-use Satan will be used by hackers to snoop though private files, plant viruses and create other mischief.

If, as some computer experts predict, Satan causes widespread problems that demonstrate the vulnerability of the Internet, the program could significantly delay the development of electronic commerce.

But if the majority of the estimated 5m computers linked to the Internet emerge unscathed, Satan could hasten an era of electronic shopping, banking and publishing by bolstering confidence in the security of the global network.

Satan marks a turning point in the evolution of the Internet. Since inception in the early 1970s as a research network linking US scieotists, the Internet bas been through several transformations. With the growtb of personal computing in the 1980s, it became a playground for computer bobbyists. More recently, it has evolved into an important cbannel for business communications and marketing.

Business use of the Internet bas grown exponentially over the past year. In January this year, there were 1.3m computers on the Internet registered to companies, an increase of 132 per cent over the previous 12 months, according to the Internet Society, which oversees development of the Internet.

The Internet is now on the threshold of another transformation, as businesses begin to open electronic stores to sell goods and services online. Electronic commerce bas buge potential, say enthusiasts.

In 2000, some $600bn (£375bn) worth of goods and services – 8 per cent of all transactions – will be sold over the Internet, according to a study conducted by Killen & Associates, a US market research firm specialising in online technology.

Will computer program Satan increase network security or help hackers to break it? **Louise Kehoe** reports

Hell to pay on the Internet

Marty Tenenbaum, chief executive of Enterprise Integration Technologies, another researcb firm, believes electronic commerce could "revolutionise hotb regional and foreign trade". Enterprise is leading the development of CommerceNet, a Silicon Valley consortium that is pioneering tbe development of "business to business" trade on the Internet with support from the US Commerce Department.

Nearly every large company in telecommunications, computers and financial services – which will provide the infrastructure for electronic commerce – is preparing to compete in this new business arena.

Last week, for example, MCI, the US telepbone company, launched marketplaceMCI, an online shopping service. Consumers will be able to buy anything from train tickets to life insurance, cookies or clothes – using their home computers. AT&T is expected to follow suit with its own online services.

Visa, the world's largest credit card organisation, recently acquired an electronic payments company and has formed an alliance with Compuserve to offer online financial services. MasterCard is similarly joining forces with Netscape, an Internet software developer, to offer electronic banking.

Microsoft, tbe world's biggest software company, is also expected to play a central role in developing electronic commerce with the launch this year of an online network.

New companies such as Digicash, Cybercash and First Virtual are promoting online payment mechanisms. Wave Systems and Infosafe, competing US start-ups, have launched products to measure the use of information products online.

Amid all the activity, there is also great caution. "Corporate ambitions for electronic commerce have run smack Into the realities of technical limitations," says Joel Dreyfuss, editor in chief of InformationWeek, a trade publication that has tested a pre-release version of Satan.

The bnsiness impact of Satan will depend largely on how diligent companies have been in implementing measures to secure their computer networks. These include keeping pace with a barrage of "upgrades" and "patches" regularly issued by computer and software companies in response to the latest backer incursions. It is also critical for businesses to install "fire walls", computer systems that filter incoming data traffic, to ensure that their networks are not infiltrated.

Leading computer makers say their customers are on top of the issue. "I have not met a single customer who is not aware of this. We take security very, very seriously," says Eric Shmidt, chief technical officer at Sun Microsystems.

But a recent survey conducted by Ernst & Young, the business consulting group, found that many US companies are not taking sufficient computer security measures. At least half the more than 1,200 companies surveyed said they had suffered financial losses related to computer security.

Protecting computers against intruders has become a more complex problem with the growth of "distributed computing", says Carol Mills, general manager of Hewlett-Packard's Unix computer servers. "It is very easy to control security in a single system environment within a company. Once you have a distributed environment with links outside the company, you open up potential security holes."

The computer industry has yet to create a complete security solution for distribnted computing, says Mills. She predicts, however, that within about six months, software and hardware prodncts will be available to ensure high levels of security on the Internet.

An important element of improving Internet security is encryption. By encoding data, computer users can ensure that stolen or intercepted files will not be readable.

Netscape Communications and Spyglass, two leading suppliers of software for the World Wide Web, the fastest growing area of the Internet, have introduced versions of their programs that incorporate sophisticated encryption algorithms.

Sun is also planning a more comprehensive encryption solntion to Internet security that will encompass electronic mail, file transfers and other applications as well as the WWW.

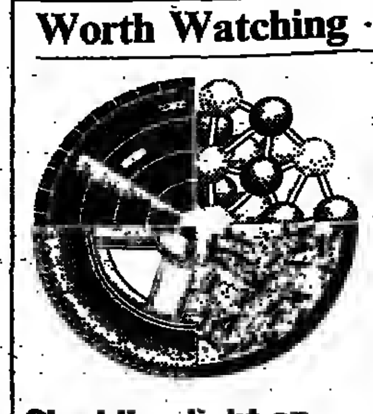
"We believe very strongly that the real solution is encryption. But no single product will solve all the security issues," says Schmidt. "The locks are getting tougher, but the thieves are getting more clever at breaking locks. Security on computer networks will always be a concern in the same way as security in banks, your home or your place of business is an ongoing issue."

What makes computer networks different, however, is that computers can be used to attack other computers. Satan is the latest, sophisticated example of this trend. Until now, it has taken considerable skill to break into a computer that is protected by passwords or other security mechanisms. Satan makes it easy.

Using a "point and click" interface, much like those that have popularised the WWW, anybody with a computer workstation can use Satan. By typing the Internet address of a computer, the user can find out if his target is fully protected. When the program finds a security weakness, it describes how an intruder might use that vulnerability to attack.

Devil's advocates maintain that Satan will raise the level of awareness of security among Internet users and help to ensure that the global network is trustworthy before electronic commerce takes off. It will do so, however, by holding the feet of computer system managers to the fire.

Worth Watching · Vanessa Houlder



Shedding light on photosynthesis

Scientists at the University of Glasgow have announced an important advance in the understanding of photosynthesis, the process by which plants and certain bacteria convert light into energy.

In a paper in today's Nature, the scientists describe the three-dimensional structure of the complex of molecules which photosynthetic bacteria use to capture light.

This insight into the structure of the light-harvesting complex complements work conducted by a Nobel prize-winning team of German scientists who in 1985 discovered the structure of the reaction centre where the energy is converted into electrical energy.

The knowledge about bow light is captured and converted into electrical energy in plants could lead to improvements in the design of solar power equipment.

University of Glasgow: UK. tel (0)141 330 4240; fax (0)141 330 5643.

Gene found for kidney disease

A team of scientists from Integrated Genetics, Johns Hopkins University and Los Alamos National Laboratory has discovered the gene for polycystic kidney disease, a congenital illness which can cause high blood pressure and kidney failure, *Victoria Griffith writes.*

The discovery may aid in the development of treatments for the disease, for which nn therapies are now available. It also paves the road for DNA testing.

Although the disease is not yet treatable, scientists say testing could confirm diagnoses of the illness and be used to screen kidney donors. More than 500,000 Americans are estimated to suffer from polycystic kidney disease. Scientists used computer-based genomic sequencing to come up with the exact structure of the gene.

"This is one of only a handful of disease genes where the complete genomic sequence is known," says Katherine Klinger, head of the Integrated Genetics team.

Integrated Genetics: US, tel 508 872 8400, fax 508 872 5663.

Batteries recharged while at the wheel

Users of laptop compnters who are nut of the office much of the time often spend a fortune on replacement batteries.

But people who travel by car can cut down nn new batteries using a device that recharges computer batteries from the car's engine.

The device, which plugs into the car's cigarette lighter, is an inverter, which converts the direct current power from the engine into mains-type power. Radix Technologies, a London-based company which has launched the inverter, says its main advantage over other charging devices is its ability to power up several machines simultaneously.

The Pocket-AC, which is about the size of a 35mm camera and has an output of 150 watts, will cut out if it is overloaded; it will reset itself when the load has been adjusted. The unit costs £85, plus VAT.

Radix Technologies: UK. tel (0)171 731 8199; fax (0)171 731 8312.

An electronic organiser to watch

Timex has launched a watch that dmbles as an electronic organiser by dnwnloading information from a PC, *writes Sheila Jones.*

The Data Link watch, developed jointly with Microsoft nf the US, comes with a disc that provides an organiser menu. Functions include appointments, anniversaries, alarm and telephone numbers.

Point the watch at the screen and its sensor reads a flashing barcode. Selected data stored nn the PC are downloaded on to the watch.

Data Link retails for around £120, and is available in Europe and the US. PC requirements include: Windows 3.1 software or higher, 4MB of system memory, 2.5MB of free hard disc space, 80/386 processor, and a mouse.

Timex; UK, tel (0) 171 6308180.

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ARTS

Cinema/Nigel Andrews

A big adventure gone wrong

An Awfully Big Adventure is a strangely lost film. Gobsmacked by the success of *Four Weddings And A Funeral*, actor Hugh Grant and director Mike Newell no doubt felt it would be good for their souls to make a film without a hint of champagne or confetti. So we are in 1940s Liverpool with war damage, bereavement, incest and dark lighting.

Fifteen-year-old Stella, an ambitious orphan played with spry moon-calf charm by Georgina Cates, falls for theatre director Meredith (Hugh Grant). She has joined his sleazy repertory company, filled with the camp (Peter Firth), the pretentious (Edward Petherbridge) and the desperate (Alan Cox).

It is a nasty education for her and it gets worse. Enter Alan Rickman as a replacement Captain Hook. He seems to have strayad in from another film, but that is the least of it. (This post-modernist actor, who can expose portentousness with a single "look", must have put on blinkers for this film's mix of period dirge and lumpy satire.) Soon Stella, falling into bed with him, falls into tha biggest horror of all: one that we critics are asked not to reveal, though in watching the film you will hardly need three guesses.

Newell has been down the *Sturm und Drang* road before, in *Dance With A Stranger*. But there he had a shapely script and a strong central performance from Miranda Richardson as murderess Ruth Ellis. *Adventure* is torn from Beryl Bainbridge's novel by screenwriter Charles Wood and "tearing" seems the appropriata word. Here a page, there a tattered half-chapter or half-character.

The confetti of inept adaptation is thrown over a film that never has a union to celebrate. The message about war's orphaning impact should have been conjoined, seamlessly, to the spoof on those eternal orphans we call actors. Instead, we never know when we should laugh and when, or if, we should sigh, gasp or weep.

The climax, a rage of revelation and diaenchantment under a hlack Mersey sky, is as silly and overblown as the *Caesar And Cleopatra* production in which his Emperorship falls down the imperial steps.

No one except Cates and Grant gets the chance to act. (Well, Rickman gets the chance but hlows it.) She does nicely enough; he excels as a crabbed, depleted aesthete jabbing out instructions from a hangover-pale face. Even here, though, there are problems. We fail to understand why Stella should fall for this amusing but posturing bag of bones, or how the precocious lass failad to discern his true sexuality. That is another thing we critics are meant to keep secret, but like everything else in *An Awfully Big Adventure* it seems awfully obvious from reel one.

AN AWFULLY BIG ADVENTURE
Mike Newell

BLUE SKY
Tony Richardson

POSTCARDS FROM AMERICA
Steve McLean

DUMB AND DUMBER
Peter Farrelly

*

Here is an important social finding. According to American cinema, every woman married to an officer on a US army base is a nymphomaniac. Oscar-winning Jessica Lange in *Blue Sky* follows Deborah Kerr in *From Here To Eternity* and Elizabeth Taylor in *Reflections In A Golden Eye*. (We leave out dozens more.) She slinks, she smoulders, she eyes surf-laden beaches with a terrible joy.

Tommy Lee Jones and Jessica Lange in 'Blue Sky'

Married to Tommy Lee Jones, an army scientist in Hawaii during the bomb-testing 1960s, she is – prepare for the film's metaphor – a bomb herself. She explodes on the smallest emotional prompting at home; she spreads sexual fall-out across the base; she humiliates with her lust for other men (Powers Boothe) and their wives (Carrie Snodgress). Finally, after her husband is committed to an insane hospital, she wanders across a test site daring the hlast to out-blast her.

The late Tony Richardson's last film is an interesting, exotic shambles. We have no idea why Miss Lange's heroine became the way she is; though as well as watching Misses Kerr and Taylor she has probably boned up on Bette Davis. (She gets to say "What a dump-p!") Perhaps too she is troubled by her husband's cod-scientific dialogue, which seems at times to have strayed from a *Carry On* film: "I've got a severe radiation leak on site."

Lange's performance is still as close to great acting as popular cinema gets. Making her tight-hipped dresses bulge in the right places, she makes her character's emotions bulge in all the wrong ones. She is a tempestuous mess at mess parties; she screams at the children, then hreaks down in remorse; and she has a dazzling scene of real, nose-dripping weeping when she phones her husband long-distance to confess an infidelity.

Lust is a difficult subject for drama: it shades too readily into the ludicrous. If *Blue Sky* is Tennessee Williams in khaki, *Postcards From America* is an erotic travelogue. First-time director Steve McLean, adapting the writings of artist and Aids victim David Wojnarowicz, relates a gay growing-up tala that begins with paternal abuse – expressionistic flashbacks of Dad tyrannising over wife and child – and then moves across America taking in masturbation, group sex and gay rape.

Like *Blue Sky*, *Postcards* is obsessed with the idea of post-war parenting as a psycho-social turning point: as the moment When America Went Wrong. So as our hero (three different ages, three different actors) processes from one roadside hunk to another, we know he is really making up for all the hugs he never got at home.

The drooling music track – old torch songs – further argues that lust is another word for *lacrimae rerum*. Many more steps down this road and we will all be rallying to the New Puritanism. A shame: for in his best scenes McLean has a fine hallucinogenic eye for making inner emotions warp and irradiate outer reality.

The rest of the week is occupied by dumh chums, with fierce competition for the worst on show. The title friends in *Dumb And Dumber* are Jim Carrey and Jeff Daniels, aspiring pet-shop owners from Providence, Rhode Island, who lose their fur-clad van – made up to look like a dog – while pursuing a pretty crook (Lauren Holly) all the way to Aspen, Colorado. They buy a moped; they mope mirthfully around on it; they have adventures in lavatories, airports and ski resorts. Finally, they run out of jokes half an hour before the film ends.

Carrey is funnier than either script or direction deserve. His face is a cartoon of destructive innocence so elastic that it hardly needs ths digital addenda it got in *The Mask*. He has an inspired routine as a hired limousine driver who hops into the back seat to roll down the tinted window, masquerade as a millionaire playboy, and chat up passing girls. He does better still in a martial arts cameo, slicing the air with sublimely demented squawks and cartwheels.

In *Far From Home* (U, director Phillip Borsos) the dumb chum is a yellow labrador who helps a boy survive two weeks in the British Columbian wilderneas. Helps? Well, not really. When Angus (Jesse Bardford) is cut off from Dad after a boatwreck, "Yellow" catches the odd rabbit, gives the odd doleful look and passively enjoys – as we do – the lush, mist-dripping scenery.

In *Terminal Velocity* (15, director Deran Sarafian) the dumh chums are Charlie Sheen and Nastassja Kinski. They play two sky divers who in this appalling caper-thriller become friends after falling from a plane together. Perhaps they had just realised that the in-flight movie was *Terminal Velocity*.

Theatre/Sarah Hemmings

A 'Steward' of rigour and wit

The first night of Sebastian Barry'a new play, *The Steward of Christendom*, at the Royal Court's Theatre Upstairs was punctuated with rustles as one person after another rummaged for their handkerchief. For this is a beautiful play that would bring tears to the driest eye and it confirms Barry as an exceptional writer with a poetic gift.

In essence, it is a simple memory play. Tha Irish playwright draws a portrait of his great-grandfather, incarcerated, as we meet him, in the local asylum in County Wicklow in ths 1930s. But, as the aged Thomas Dunne is plagued by memories of past events and people, the play gently conjures a whole lost world. And it is given intense life hy a superb central performance from Donal McCann, who mines every layer of his remarkable role.

On one level, Barry explores the idea that, to the old and confused, shadows and memories are as substantial as the objects around them. Dunna's family mambers simply melt in through the walls to people his grim empty cell, just as they fill his head. And, as the old man scours through his past to the moments that have made him, his mind returns again and again to the momentous events of 1922 when, as head of the Dublin Metropolitan Police answerable to the crown, he found his loyalties skewered. Barry shows subtly how the political and personal are closely intertwined and how Dunne's very qualities – his inflexible devotion to order and duty – are also his faults and have led him into conflict with his own people.

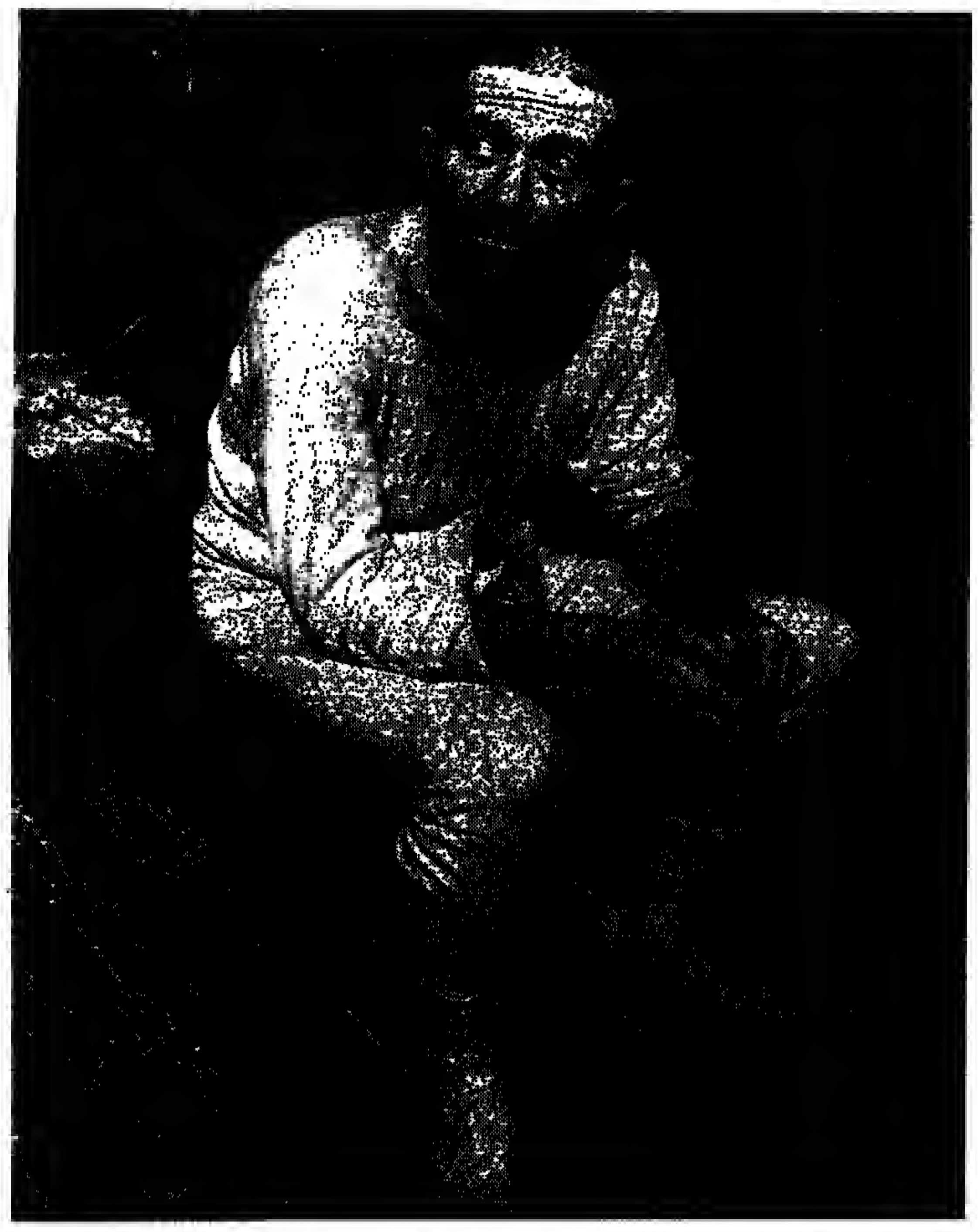
But the play is also a journey towards reconciliation with himself and his family. In his rambling dotage he starts to see how he has alienated his three daughters, and the play is permeated by an aching sense of moments lost. Most moving of all, though, is his slow passage towards nnderstanding his relationship with his own father and with his son, killed in the war.

The play slips effortlessly from the present to the past and from sorrow to humour. Barry draws his curmudgeonly character with compassion and there is a terrible poignancy about the contrast between the pathetic old man in his soiled longjohns and the towering policeman of former years.

The writing is funny and crackles with wit, but Barry's greatest achievamant is to write with unwavering tenderness about love. He has a great lyric gift that he uses boldly, yet with wise restraint, so that his writing is immensely affecting without becoming lush. Dunne's final speech, in which he recalls returning as a boy from a night on the hill expecting a scolding, only to be scooped into his father's arms, is a marvellous description of the force of parental love. Barry is not afraid either to pay tribute to his literary heritage: we see glimmers of Joyce, Heaney, O'Casey and even Friel in the piece.

The play is tightly controlled in Max Stafford-Clark's excellent production (co-produced with Out of Joint), which holds sentimentality at bay with its rigour and wit. There are lovely performances all round, particularly from Dunne's daughters (Cara Kelly, Tina Kellegher, Aislin McGuckin) and from Maggie McCarthy as the kindly asylum housekeeper who tries to lend him a hit of dignity. McCann, meanwhile, is outstanding. His performance is a feat of memory alone, but it is also perfectly modulated as he slips with ease from the confused old man, sunken and scared, into the proud younger man, the little boy, even the bahhling baby.

Continues at the Theatre Upstairs until April 22, then tours to Dublin, Brighton, Liverpool and Luxembourg.



Alastair Muir

Donal McCann in 'The Steward of Christendom': a simple memory play of great richness

Theatre/Alastair Macaulay

'Devil's' spirit too narrow

"You talk of university?" says the young devil Pug who is sent to work on earth for a spell. "Why, hell's a grammar school to this." And there is the nub of *The Devil is an Ass*, in which, as so often in his plays, Ben Jonson satirises the world as Vanity Fair, full of vice and corruption.

The play is a *Screwtape* spin on Marlowe's *Dr Faustus*. In Marlowe, Mephistopheles says, "Why this is hell, nor are you out of it", whereas poor trainee devil Pug finds himself out of his depth amid all the sin on earth. And, whereas Shaw's Saint Joan ends her play by asking God when this earth will be ready to receive Thy saints, *The Devil is an Ass* concludes with the suggestion that this earth is hy no means ready to receive all Satan's devils either; it's too wicked.

Sounds like fun? Not a whole bunch. Jonson's tone is so cynical, and the spirit of his play is so narrow, that *The Devil is an Ass* proves disagreeable company much of the time. It lacks the vivid interior life and wit that lend vigour to *Volpone* and *The Alchemist*. Still, it could be more appallingly credible than it proves in Matthew Warchus's new staging, with which the Royal Shakespeare Company kicks off its new Stratford season.

Warchus is a puzzle: a focused and refreshing director who elicits first-rate performances in some productions, an unfocussed and stale director who cannot discipline second-rate performances in others. In *The Devil is an Ass* he seems to have concentrated on telling the story clearly and on delivering it with a good deal of panache. But the members of his large cast are all performing in different ways, and there is so little rapport between them that the world onstage never becomes real. Parts of the audience have a good chortle at some of the proceedings, but yawns are also widespread.

David Troughton plays Fitzdottrel, a country squire who elicits the Devil'a help in making money, with such unrelentingly laboured intensity that he exhausts us almost as much as he must himself. John Dougall, as the young devil Pug who fecklessly works as his servant, does more than anyone else to bring the world onstage to life by his sheer charm and address, hut he is often upstaged hy his colleagues, and the woolly Northern accent he adopts is unimpressive.

John Nettles, as the Machiavellian projector Merecraft, delivers a great deal of precise and robust Acting: very jolly and stageworthy and not for a minute persuasive.

Douglas Henshall, playing the young gallant Wittipol who aims to seduce Mrs Fitzdottrel, shouts in a hoarse Scottish staccato; so as to help the ninnies in the audience, he keeps up the Scottish accent when ha slips into drag as a Spanish lady (until after five minutes he lurches into a Spanish accent after all), and then keeps half his Spanish-lady make-up on when he has reverted to male attire.

But no individual performance is as bothersome as the lack of cohesion in the ensemble playing. Even Warchus's use of stage space is off; the action is seldom well placed either for dramatic focus or maximum legibility.

Gary Yershon has provided some good "hurry" music, Laura Hopkins'a Jacobean costumes are handsoma, and Wayne Dowdeswell's fluorescent lighting of the scenes in hell is entertaining. *The Devil is an Ass* is just the kind of "minor" period play that we expect to see revived at the Swan Theatre. It is not, however, strong enoogh to make much headway against an unintegrated staging.

In repertory at the Swan Theatre, Stratford-upon-Avon.

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● L'italiana in Algeri: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary; 7.30pm; Apr 8, 12
● Lucia di Lammermoor: by Donizetti. Conducted hy Marcello Viotti and produced by Filippo Sanjust; 7.30pm; Apr 6
● Onegin: music by Tchaikovsky. Premiere, at this venue, choreographed by John Cranko, produced by Reid Anderson and Jane Bourne; 7.30pm; Apr 9 (7pm), 11
● The Girl of the Golden West: by Puccini. A new production conducted by Paolo Olmi and produced by Frank Corsaro; 7.30pm; Apr 7

■ BONN

GALLERIES
Kunst-und Ausstellungshalle Tel: (0228) 9171 236
● Russian Museum of St Petersburg: third in "The Great Collections" series. The museum in St. Petersburg houses a collection of 500,000 works from which 500 works have been selected for this exhibition to represent 500 years of Russian art and culture; from Apr 7 to Aug 13 (Not Mon)

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Yo-Yo Ma: cellist with the London Symphony Orchestra. Sir Colin Davis conducts Tippett and Elgar while Leon Kirchner conducts the UK premiere of his own "Music for Cello and Orchestra"; 7.30pm; Apr 12
Queen Elizabeth Hall Tel: (0171) 928 8800
● Andreas Haefliger: pianist plays Beethoven, Schubert and Mussorgsky; 3pm; Apr 9
● Carmina Quartet: with pianist Andreas Haefliger plays Beethoven, Debussy and Brahms; 7.45pm; Apr 10
Royal Festival Hall Tel: (0171) 928 8800
● Bach: St Matthew Passion: with the Bach Choir and the English Chamber Orchestra. Sir David Willcocks conducts; 11am; Apr 9, 11,
● Michael Nyman Band: with the Orquesta Andalusia de Tetuán. Special concert in which Nyman reworks music from his career and writes for a group of virtuoso musicians who have an understanding of his work; 8pm; Apr 8
● The London Philharmonic: with clarinetist Emma Johnson. Martyn Brabbins conducts Walton, Barber, Dankworth, Weill and Gershwin; 7.30pm; Apr 7

GALLERIES
Royal Academy Tel: (0171) 439 7438
● Poussin: more than 90 works by the French artist. Centerplece of the exhibition is the two series of tha "Seven Sacraments"; to Apr 9

OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Apr 8, 11
● Madam Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Apr 6
Royal Opera House Tel: (0171) 304 4000
● Peter Grimes: by Britten. Directed by Elijah Moshinsky and conducted by Edward Downes; 7.30pm; Apr 8, 11
● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Apr 7
● The Prince of the Pagodas: by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten "mini festival" at the Royal Opera; 7.30pm; Apr 10

■ MADRID

GALLERIES
Fundación Coleccion Thyssen-Bornemisza Tel: (91) 420 39 44
● André Derain: approximately 70 paintings selected to represent the painter's different artistic periods; to Jul 10
Reina Sofia Tel: (91) 468 30 02
● Northern Lights: works by artists from the Nordic nations; to May 15
● Pablo Palazuelo: retrospective of the Spanish artist containing more than 60 paintings; to Jul 10

■ NEW YORK

CONCERTS
Avery Fisher Tel: (212) 875 5030
● New York Philharmonic: with pianist Mitsuko Uchida. Kurt Masur conducts Beethoven'a "Piano Concerto No.2" and Shostakovich'a "Symphony No.5"; 8pm; Apr 6, 7, 8, 11 (7.30pm)
● New York Philharmonic: Kurt Masur conducts Weber, Schumann, Williams and Prokofiev; 8pm; Apr 12
● Pinchas Zukerman: violinist with Marc Neikrug, pianist, plays Mozart, Neikrug and Brahms; 3pm; Apr 9
Carnegie Hall Tel: (212) 247 7800
● Alfred Brendel: an all–Beethoven programme by the pianist; 8pm; Apr 10

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Flore; 8pm; Apr 8, 11 (8.30pm)
● The Ghosts of Versailles: by Corigliano. Produced by Colin Graham, conducted by James Levine; 8pm; Apr 7, 12
New York City Opera Tel: (212) 307 4100
● La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scotto. Soloists includa Janice Hall/Oksana Krovytska and Stephen Mark Brown/Richard Drews; 8pm; Apr 8, 8

■ PARIS

CONCERTS
Champs Elysées Tel:(1) 49 52 50 50
● Philharmonic Orchestra of St Petersburg: with violinist Martha Argerich. Youri Tamirkanov conducts Prokofiev; 8.30pm; Apr 12
● Philharmonic Orchestra of St Petersburg: with violinist Shlomo Mintz. Youri Temirkanov conducts Prokofiev; 8.30pm; Apr 12
OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the orchestra and chorus of the Paris National Opera; 7.30pm; Apr 8, 11

■ SAN FRANCISCO

OPERA/BALLET
San Francisco Ballet Tel: (415) 865 2000
● Programme Five: includes "Haffner Symphony", music by Mozart choreography by Helgi Tomasson, the world premiere of "Caniparoli" with music by Bach and traditionel African choreographed by Vel Caniparoli; 8pm; Apr 6 (2pm), 7, 9 (7.30pm)
● Programme Seven: includes "Bagaku" with music by Toshiro Mayuzumi and choreographed by Georgs Balanchine; 8pm; Apr 8

■ WASHINGTON

CONCERTS
Kennedy Center Tel:(202) 467 4600
● Jessye Norman: soprano with pianist Ann Schein in a programme of works by Berg, Strauss, Ravel and Messiaen; 7pm; Apr 10
● National Symphony Orchestra: Elizabeth Schulze conducts Berlioz's "Symphonie Fantastique"; 8.30pm; Apr 8, 7, 8

GALLERIES
National Museum of Women in the Arts Tel: (202) 783 5000
● Sogonisba Anguissola (1532-1625): a renaissance woman. Premiere showing in the US of 24 works that includes intimate family portraits exemplifying the times in which she lived; from Apr 7 to Jun 25

OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Carmen: by Bizet. A new production with Denyce Graves in the title rola. Ann-Margret Pettersson directs a production by Lennart Mörk. Conductor Cal Stewart Kellogg. In French with English surtitles; 8pm; Apr 7, 9 (2pm)

THEATRE
Arena Stage, Fichandler Theater Tel: (202) 488 3300
● I am a Man: directed by Donald Douglas. Recreation of the Memphis garbage workers strike of 1968 and tha civil rights movement; 8pm; to Apr 9
Kennedy Center Tel: (202) 467 4600
● Laughter on the 23rd Floor: Neil Simon's play set in the 1950's heyday of television comedy; 7.30pm; to Apr 23 (not Sun)

WORLD SERVICE
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FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

A stock picker's path to riches

BOOK REVIEW

THE WARREN BUFFETT WAY
By Robert G. Hagstrom Jr
John Wiley & Sons, $24.95, 274 pages

If there is anything Americans like more than a billionaire, it is a folksy, philosophising billionaire. Ross Perot turned this affection for down-to-earth plutocrats into 19 per cent of the 1992 presidential vote; Warren Buffett has become the hero of US investors.

Buffett fits the archetype of the American Dream. He was born in unpretentious surroundings in Omaha, Nebraska, where he still works and lives in a modest house. He eats hamburgers and drinks cherry Coke. His chief luxury is a corporate jet which he refers to as "the Indefensible". If Hollywood ever turned his life into a movie, he could be played only by James Stewart.

He started small; having studied at the feet of Benjamin Graham, the founder of security analysis, he started an investment partnership in 1956 with $100 of his own money (and $105,000 of other people's).

The partnership earned a compound annual rate of 29.5 per cent for the next 13 years. In 1969, Buffett returned all the money to investors on the grounds that the market was too high. He invested his share of the proceeds, $25m, in a textile and insurance company called Berkshire Hathaway, which the partnership had controlled since 1965.

The net worth of Berkshire Hathaway, which became the vehicle for Buffett's investments, has grown from $22m in 1965 to more than $10bn. Buffett is one of the richest men in the world; Berkshire's annual reports, which contain a mixture of comment, advice and jokes, are sought-after reading by investment professionals.

Robert Hagstrom has enthusiastically seized the role of bringing Buffett's message to the masses. At times, the book reads rather like a fanzine written by a star-struck teenager (the author has neither met Buffett, nor interviewed any of his friends or associates). The subtitle *Investment Strategies of the World's Greatest Investor* says it all; one is tempted to conclude that Hagstrom is the man who put the "hag" in hagiography.

Nevertheless, the last two-thirds of the book, devoted to a *stock-by-stock analysis of Buffett's* long-term holdings, makes compelling reading. Buffett is a "value" investor, who concentrates on buying stocks at a significant discount to their true worth; what Benjamin Graham described as the margin of safety.

Once he has discovered such stocks, Buffett tends to buy significant stakes and to hold them for a long time. Critics of the financial system cannot pin the short-termism label on Buffett, who has owned, for example, shares in the Washington Post since 1973.

At its simplest, Buffett's philosophy requires the investor to buy a business, rather than a stock. As Hagstrom says, most investors "spend far too much time and effort watching, predicting and anticipating price changes and far too little time understanding the business they partly own".

More specifically, Buffett concentrates on what he calls "owner earnings" – defined as a company's net income plus depreciation, depletion and amortisation, less the amount of capital expenditure and any additional working capital. Buffett prefers this measure to cash flow, which ignores capital expenditure, because he recognises that capital spending will always be needed to maintain the value of a business.

Hagstrom uses this concept to explain why Buffett acquired his largest investment, Coca-Cola, in 1988, even though the shares were trading at five times asset value.

By assuming that Coke's owner earnings were set to grow at 15 per cent per annum for 10 years, and then at 5 per cent thereafter, and having discounted those earnings at the then Treasury bond interest rate of 9 per cent, Hagstrom arrives at a value of $48bn for the company. That was well above the $15bn it was valued at when Buffett first bought shares. And by the end of 1993, the market value of Berkshira's bolding in Coca-Cola was four times the cost of its investment.

The success of Buffett and other Graham disciples has cast doubt on the efficient market theory, which states that it *is impossible consistently to* outperform the indices because share prices already reflect all the available information.

Commonsense support for the efficient market theory has been provided by the dismal long-term failure of most investment managers. Of course, since the index represents the average performance of all investors (before costs), the majority of managers cannot, by definition, beat the index. But rather than follow the buy and hold strategy of Buffett, most managers are constantly changing their portfolios. The result is heavy dealing costs, which makes their underperformance worse.

So why have other managers not followed Buffett's example? Part of the reason may be that it is impossible for managers to run as concentrated a portfolio as Buffett: in 1988, Berkshire Hathaway owned just five stocks and, at the end of 1993, Coca-Cola represented 37 per cent of the portfolio. Anyone following such an individualistic approacb would risk being fired by the fund's trustees.

Could Buffett's halo be starting to slip? He recently wrote off the bulk of his investment in USAir, the airline, and his involvement with Salomon Brothers, the securities firm, has been a disappointment. He himself has warned that Berkshire's size may limit its future success. "A fat wallet is the enemy of superior investment results," as he put it.

But there remain plenty of true believers. The success of this book has been cited as the cause of the recent strength of Berkshire Hathaway shares, which are nearly 50 per cent above their level of a year ago. Indeed, the nice irony is that Berkshire Hathaway's sbares stand at such a premium to asset value that anyone following Buffett's principles ought not to buy them.

Philip Coggan

ECONOMIC VIEWPOINT

Capacity limits job expansion

By Samuel Brittan

In recent articles I have been trying to convey how very good Britain's economic performance is by most past standards.

There is however one big blot on the landscape that must modify any rapture. This is the high level of unemployment at which recovery is taking place. It is true that UK unemployment is now – in contrast to 10 years ago – below the average of the European Union. (It is still higher than in west Germany on a standardised basis, although not higher than tha whole of Germany taken together.) It is also true that unemployment is falling at the rste of abont 300,000 a year or more. But it is still unsatisfactory that with an unemployment rate of 8.4 per cent, or 2.4m, analysts should have to be worried that it is falling too quickly and wondering wben the brakes on expansion will have to be applied again.

A one-day History of Economics conference at Gresham College in London last week on unemployment and economists *was therefore* of interest. The papers ranged from the post-Nspoleonic period to the present. The impression left was that msinstream economists had not made a very distinguished contribution.

A fairly typical non-crisis period was the four decades before the first world war when unemployment was first recognised as a problem in the modarn sense. Yet nearly all the running was then made by a handful of officials and policy pamphleteers ontside tha economic mainstream. During the high tide of Keynesian economics of the 1950s and 1960s it did look for a while as if economists could both diagnose and cure unemployment. That confidence has evaporated.

Anyone who believes that we could just "go back to Keynes" should look at the spring issue of the Oxford Review of Economic Policy published this week by Oxford University Press. I would be astonished if many of its contributors had ever voted Tory, indeed some of them may well have agonised, long before Tony Blair, whether Labour was leftwing enough to warrant support.

Yet one of the editors, Andrew Glyn, says uncompromisingly in his foreword that actual unemployment is very close to the lowest compatible with non-accelerating inflation in North America and most European Union countries. Therefore "a general demand expansion will soon generate inflationary pressures; and only a small reduction in unemployment could be sus*tained for more than a few* years". He even emphasises how limited is the fashionable policy of training the unskilled and the jobless to take better jobs. However, he gives only very qualified support to most other remedies, including the alleged government one of cutting the pay of the unskilled.

How then should we proceed? The Gresham College conference was notable for an all too rare statement of official thinking by Professor Alan Budd, the Treasury's chief economic adviser.

Much of the last part of Budd's paper dwells on the seminal importance of Milton Friedman's 1968 presidential address to the American Economic Association where the US economist argued that there could not be a long-term choice between unemployment and inflation. There was instead an equilibrium rate of unemployment, which he called the natural rste, but his successors have preferred to call the "non-accelerating inflation rate of unemployment", or Nairu, which is determined by structural characteristics.

Budd shows how most of the period since 1968 has been taken up with attempts both by academic researchers and policymakers to understand, and try to find remedies for, the leap in the equilibrium rate of unemployment which took place in the 1970s and 1980s. He catalogues the leading British policies of the past decade and a half such as trade union reform; changes in the tax and social security system; deregulation of tbe product and labour markets; abolition of Wages Councils and housing market reforms. I sense some disappointment both with the inconclusiveness of the academic research and the slow effects of the policy changes.

The snpply side measures listed in Budd's lecture, taken from a recent white paper, sound low-key in character. This indicates what happens when the Treasury decides that a main economic problem is the responsibility of lesser departments; and it is another reason for remaining sceptical about the slimming down of the Treasury along the dictates of vogue management theory.

Nevertheless the 1994 Budget did mark an attempt, at least by Mr Kenneth Clarke, the chancellor, to recapture the initiative in employment policy. The result has been what Budd describes as a fairly eclectic approach. For instance that Budget – which has yet to be fully analysed by labour-market economists – drew a little from most of the prevailing explanations.

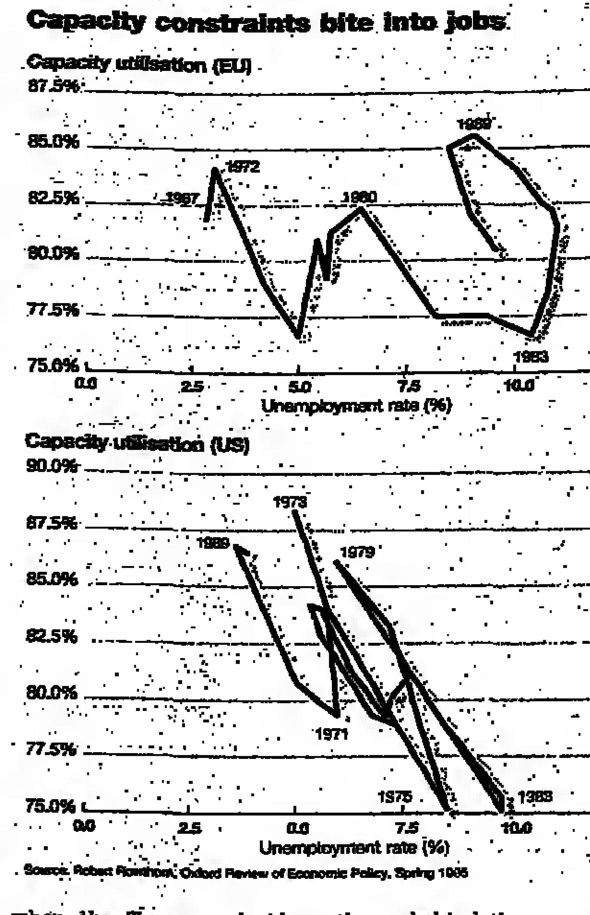
An attempt to escape from minntiae and find one big theme behind the unemployment rise comes from Professor Robert Rowthorn in the Oxford Review already cited. Labour economists are already familiar with curves linking unemployment with other variables such as vacancies (the Beveridge curve) and prices or wages (the Phillips curve). These relationships tend to be stable for short periods but then drift in position.

Rowthorn has added to their number a curve (reproduced here) linking unemployment with capacity utilisation. It answers the question: "What rate of unemployment is associated with any given rate level of capacity utilisation?"

None of tbe measurement difficulties can conceal the sharp drift to the right in the Rowthorn Curve for Europe. For instance 80 per cent capacity utilisation was associated with 3 or 4 per cent unemployment in the early 1970s, about 7 per cent in the early 1980s and some 9 or 10 per cent in the early 1990s. There has been s much smaller drift in the US. The data establish a *prima facie* case that capacity has been the proximate constraint on European unemployment in recent years.

The case has been strengthened by the signs in the British upturn of tbe economy approaching the safe level of capacity utilisation when there are still millions of unemployed or non-employed workers. Rowthorn links these tendencies with the long-term slowdown in investment in most countries between the 1960s and subsequent decades.

Capacity constraints bite into jobs



Source: Robert Rowthorn, Oxford Review of Economic Policy, Spring 1995

He is less successful in explaining why this slowdown occurred. There was a squeeze on the share of profits in output in the 1970s which was not *fully* made up by the recovery of the 1980s. Rowthorn's explanation is heavily influenced by a capital-labour bargaining theory of wage and profit shares, which is more convincing for some countries than others and has become less convincing with time.

What is puzzling to a market economist is why it does not pay bnsinesses to axtend capacity to take advantage of abundant surplus labour. Inadequate domestic savings are not s constraint on investment in a worldwide capital market where any one country can tap the international savings pool. The ultimate constraint on capacity-extending investment is that a sufficiently large expansion will indeed generate rising wage inflation long before reasonahle full employment is reached; and we are thus back to labour markets.

In the end I come back to the explanation of the American economist Paul Krugman. He argues that – for reasons that are still not clear – the market-clearing price has turned against low-skilled labour and perhaps other kinds of labour too. In the US the pressure emerges in low wages; in Europe it takes the form of higher unemployment. Both approaches on their own produce great evils; and we have to devise ways of combining market clearing pay with top-up payments of a negative income tax character to help those who would otherwise be forced down to poverty levels.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

UK should push US on greenhouse gases

From Mr Matthew Taylor MP.

Sir, Your excellent reports on the climate change summit taking place in Berlin have shown that a positive outcome is possible – with new targets set for the reduction of greenhouse gases.

After a shaky start the EU has agreed to push for targets to reduce emissions. However, the US may be a block to success. It has admitted that greenhouse emissions must be cut. However, it is refusing to be tied to any specific targets or timescales. If this was to be the result of the convention, the only mandate achieved would be a weak, vague and unmeasurable one.

Considering only last week Mr John Major, the prime minister, said he thought higher targets to be both "realistic and achievable", I hope he will use his revitalised relationship with President Bill Clinton to convince the US to support the UK proposal for negotiations to begin in Berlin for a protocol to reduce CO_2 emissions in the industrialised world.

Matthew Taylor,
House of Commons,
London SW1A 0AA, UK

From Ms Sarah Motley.

Sir, On January 8 1660 a proclamation was issued for a general fast to be observed in London and Westminster on the 15th and in the rest of England on the 22nd with prayers on occasion for the unreasonableness of the weather. Apples were growing at tbat time. Samuel Pepys recorded in his diary that he was asked by his breakfast companion "whether we had not committed a fault in eating today; telling me, that it is a fast-day ordered by the Parliament to pray for more reasonable weather; it having hitherto heen summer weather, that it is both as to warmth and every other thing, first, as if it were the middle of May or June; which do threaten plague, as all men think, to follow, for so it was the last winter; and the whole year after hath been a very sickly time to this day".

He failed to mention global warming.

Sarah Motley,
Redmayne Bentley,
38 Churchgate Street,
Bury St Edmunds,
Suffolk IP33 1RB, UK

Russia breaches limits

From Mr Taras Kuzio.

Sir, Russia has threatened a number of retaliatory measures in response to the proposed expansion of Nato to the four central European countries of the Visegrad group ("US minister feels Russian chill", April 4). Russia's threat to intensify military integration within the Commonwealth of Independent States is clearly aimed at countries such as Ukraine, which would find itself sandwiched between an expanded Nato and neo-imperialistic Russia on its western and eastern borders respectively.

But the threat to ignore the flank limits of the Conventional Forces in Europe (CFE) treaty limits seems rather hollow. The introduction of 60,000 Russian security troops into the northern Caucasus since December 1994 against Chechnya's drive to independence has already greatly surpassed the CFE flank limits. Russia's military intervention has not only infringed the CFE treaty but also the Vienna Convention, where member states have to forewarn of military action invnlving more than 9,000 troops, and the Organisation for Security and Co-operation in Europe code of good conduct, which details how internal security operations should be undertaken in accordance with internationally recognised human rights and the Geneva convention.

Russia has violated all of these international documents, to which it is a signatory, without so much as a murmur of protest from western governments keen to maintain the image that President Boris Yeltsin remains a "reformer" and our "strategic ally".

Taras Kuzio,
editor,
Ukraine Business Review,
Vigilant House,
120 Wilton Road,
London SW1V 1JZ, UK

Lottery funds for research

From Mr David Sieff.

Sir, Your article on the charity Tenovus ("Charity is squeezed by Lottery", March 30) states thet the "National Lottery Charities Board has indicated there will be no first-round funding for medical research". I would like to clarify the board's position on the funding of medical research.

First, we hava published *draft* guidelines on which we have consulted the voluntary sector extensively during the past few months. The fact that they are draft means that we are keen to gather views before publishing firm guidelines.

Second, the draft guidelines say we propose to support "research and development work on technological advances that may benefit those falling within the board's priority of disadvantage". This could include medical research.

Third, under the Lottery legislation tbe board will be obliged to consider every application on its merit. We will, inevitably, need to set some priorities, but that does not mean that we will never fund certain causes.

The National Lottery Charities Board faces an enormous and challenging task. The demand for funds from the board will undonbtedly be great, but unfortunately we will not be able to please everyone. However, we are fully committed to distributing grants in a fair and effective manner to a broad spread of voluntary organisations. We plan to invite applicatinns from early summer, and to make our first grants by the autumn.

David Sieff,
chairman,
National Lotteries Charities Board,
7th floor, St Vincent House,
30 Orange Street,
London WC2H 7HH,
UK

Patent licences encourage, rather than deter, competition

From Mr John S. Magney and Mr Nicholas Levy.

Sir, The adverse consequences of the European Commission's draft technology transfer block exemption regulation and, in particular, the proposed market share thresholds are well described by Robert Rice ("New tangle for red tape", April 4). We take issue, however, with Mr Rice's perpetuation of the view that "most patent licence agreements are anti-competitive by their nature". Patent licences, whether exclusive or non-exclusive, are most often pro-competitive precisely because they create a legal framework for the transfer of technology, which is itself desirable, and provide a necessary economic incentive to the creation and development of new technology.

More specifically, non-exclusive patent licences, which represent an important proportion of all technology transfer arrangements, should in themselves raise no competitive concern whatsoever. Exclusive arrangements should also not give rise to any concern in the vast majority of cases. Indeed, as the European Court of Justice has acknowledged, without exclusivity, a licensee might be unwilling to accept the risks of developing and marketing a new product. In such a circumstance, a licensor might in turn be deterred from investing in innovative research and development efforts.

In sum, intellectual property licensing should, as a matter of both public policy and competition law, be permitted and encouraged. It is this essentially accommodating view of technology transfer arrangements that underlies US antitrust law and should, in our view, form the basis of any reform of EU policy.

John S. Magney,
Nicholas Levy,
Cleary, Gottlieb,
Steen & Hamilton,
Rue de la Loi 23,
1040 Brussels, Belgium

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FINANCIAL TIMES

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Thursday April 6 1995

Looking back at Barings

The governor of the Bank of England, Mr Eddie George, offered a robust response yesterday to those on the Treasury select committee who wanted quicker results from the inquiry into the Barings saga. He also gave no reassurance that publication of the Board of Banking Snpervision's report would proceed regardless of any litigation that might take place. But while it is premature to apportion precisa measures of blame among those involved, it is not too soon to explore the regulatory implications.

The first lesson is that while markets are now global, regulation and supervision remain woefully parochial. In the case of Barings, the Bank of England acted as the consolidated regulator for the whole group, while both the Bank and the Securities and Futures Authority (SFA) regulated the Barings Securitias subsidiary in London. Yet Baring Futures (Singapore), the subsidiary which did the damage, was regulated locally by the Simex exchange, the Singapore Monetary Authority and the Osaka exchange.

Precions little information appears to have passed between the various bodies. The authorities in Singapore and Osaka had no obligation to report to the banking and securities authorities in London. At the same time the SFA in London did not pass important information to Singapore which raised questions about the fitness of the rogue trader Mr Nick Leeson to undertake the business that ultimately brought Barings to its knees.

Source of confusion

A second lesson is that the sharing of responsibilities between banking and securities watchdogs needs refining. There is little doubt that confusion arose both in Barings itself and between the Bank of England and the SFA over whether margin payments were potentially in breach of the Bank's ceilings on large exposures. Within a far from complex corporate structure, the demarcation line between client funds and Barings' own funds appears to have become blurred. Whatever Barings' management may have known or done, the case highlights the need to reduce the scope for playing off ona regulator against another.

The more important demarcation lines are those within the banking group itself. The lack of a firewall between the trading and record keeping functions in Singapore was the most obvious failure of internal control. The absence of anything to prevent fund managers depositing client funds with the in-house bank was also striking. Yet the most important shortcoming was that nothing prevented depositors' money from being used to finance high-risk trading activity.

Cheap deposits

Banks which, unlike Barings, ars regarded as too big to fail enjoy the benefit, in effect, of subsidised deposit rates. Despite imposing a contingent liability on public finances, they are able to use those cheap deposits to finance high-risk proprietary trading activity. This is clearly absurd, given the possibility that a Barings-type episode cannot be ruled out on a larger scale in a larger bank.

No doubt the markets will provide some corrective discipline to address such flaws. But legislative reinforcement is also needed. The snag is that any attempt to isolate deposit taking from proprietary trading runs counter to the logic of recent European Union directives that are designed to facilitate the German-style universal banking model. Yet the case for revising EU legislation on this score is one worth fighting for.

A still lengthier process will be tha attempt to bring global co-operation to securities regulation. The existing international industry forum, IOSCO, has too wide and diverse a membership to procure an early equivalent of the Bank for International Settlements' global banking regime. Yet the Barings case demonstrates that there is a common interest in sharing information. Agreement on some rudimentary exchange of data and views ought ultimately to be possible.

At a purely domestic level, the blurred boundaries between banking and securities regulation remain an invitation to trouble. It follows that banking-based conglomerates need a singla, overarching regulator. If this all sounds like a demanding agenda for reform, the Barings case shows that it is an urgent necessity.

Sweden's debt offensive

The Swedish finance minister, Mr Gōran Persson, yesterday made a third effort to narrow the gap between the government's austere budget promises and the financial markets' expectations. Yet the mixed batch of spending and tax changes he signalled in parliament raises as many questions as it answers.

At the beginning of the year, Mr Persson hoped that no further expenditure cuts would be needed to bring the country's public finances under control. His pledge helped to persuade the left of the party to support him in passing the tough January budget. But it did not assuage investors' doubts about the government's commitment to stabilise public debt.

Since the budget the krona has fallen more than 6 per cent, on a trade-weighted basis, tumbling with each step in the currency markets' recent "flight from debt". Swedish government bond yields have risen by nearly three-quarters of a percentage point, to 11¼ per cent, more than 4 percentage points above German rates.

In more tranquil times, the government's efforts might have been received more favourably. The budget, when combined with the emergency package announced in November, implied a reduction in the structural budget deficit by roughly 7.5 per cent of GDP. Although less than optimal, the scale of the tightening did not seem unreasonable, since a significant proportion of last year's deficit of 13.3 per cent of GDP was cyclical. Yet the programme did have two serious flaws: the reliance on tax increases, rather than more sweeping spending cuts, to achieve one half of the adjustment; and the slow pace of the adjustment itself, which was to be phased in over four years.

New pledges

Mr Persson addressed the second of these concerns in his speech in parliament yesterday. Rather than stabilising the level of government debt by 1997-98, as previously planned, the government now promises to achieve this by 1996. To this end, a range of new measures will be included in the forthcoming spring budget.

Investors will not get to study the detail of these proposals until the budget is formally announced on April 25. But the sketch Mr Persson provided in his speech painted a confusing picture of the government'a short- and medium-term economic strategy.

By gaining the co-operation of the Centre party, Mr Ingvar Carlsson, the prime minister, would appear to have strengthened his capacity to impose deeper cuts on the country's beloved welfare system. The spring measures will include reducing wage-related welfare benefits to 75 per cent of salary, a change which ought to lower long-term spending by about SKr6bn. However, the other centrepiece of the new package, a reduction in VAT on food from 21 per cent to 12 per cent, is likely to outweigh ths benign effect of these extra spending reductions.

Disinflationary impact

Other changes announced yesterday may imply a net increase in government revenues overall. But it is difficult to square the new tougher dabt commitment with the measures so far announced. Speeding up implementation of the spending cuts and tax increases already in train would make Mr Persson's new promise more credible. However, the change to VAT indicates that ths government is already concerned about the disinflationary impact of fiscal austerity on the domestic economy.

This concern is understandable. Choking off the recovery would only speed up the country's debt spiral, since cyclical spending would remain high and the burden of debt service would grow. Sweden achieved a 2.2 per cent growth rate in 1994, but this was almost exclusively the result of export growth. Private consumption grew a meagre 0.5 per cent.

However, Sweden's indebtedness deprives it of the luxury of using fiscal measures to sustain growth. As long as the government ducks the challenge of more rapid spending cuts, investors will fear that their debt holdings are about to be inflated away. Both long- and short-term rates will have to remain high, so defeating the government's pro-growth objectives. A tougher plan on April 25 would not merely assuage the fears of a tempestuous market: it might also do much to assuage the government's.

New role for Japanese player

Despite a setback in Hollywood and the rising yen, Matsushita is successfully reinventing itself, says William Dawkins

It is a long way, in more senses than one, from the glamour of Hollywood to the workmanlike headquarters of Matsushita, the world's largest consumer electronics company, in an industrial suburb of Osaka.

Matsushita itself bas just acknowledged that fact by announcing the possible sale of a stake in MCA, the Hollywood film studio it bought for $6.1bn five years ago, the biggest single Japanese acquisition in the US.

The studio's managers have grown increasingly frustrated with their owners' reluctance to fund expansion plans, while MCA has given Matsushita cause for concern with vastly expensive film projects. Full ownership of MCA is no longer a "fixed idea", says Mr Yoichi Morishita, Matsushita's president.

The company lumbered into Hollywood a year after Sony, its smaller and more agile rival, had paid $3.4bn for Columbia Pictures. Sony recently wrote down the value of Columbia, in effect admitting that it paid too much, and now Matsushita has confessed that it may not go it alone with MCA.

For Matsushita, tbe financial implications of its Hollywood troubles are small – MCA amounts to less than 5 per cent of its Y6,623bn group sales last year. But the difficulties are a reminder of the gulf between US and Japanese management, and the difficulties for large Japanese companies in seeking to internationalise their operations.

The relentless rise of the yen, up 15 per cent so far this year, and the long-term slowdown in Jspan's economic growth rate have added to tbe pressure on Japanese companies to expand overseas, wbether through investment in new plant or MCA-style takeovers.

In the process, thay are being forced to question the traditions of Japanese industrial management exemplified by Matsushita: slow, consensus-based decision-making; rigorous cash control; and faith in Japan as the test-bed for new products and production technology.

That is just what Matsushita did in drawing up its revival plan during the depths of recession in late 1993. But the plan is only modest by US or European standards, involving no job cuts or factory closures. Instead, it seeks to get more work out of existing staff – for example, by shifting white-collar staff to the front line. A total of 30 per cent of administrative staff, 6,000 people, are being moved out of backroom jobs into sales and marketing. The plan will also remove some layers of management and focus more tightly on four main businesses: audio-visual, information technology, components and production technology.

But with the help of an increase in overseas demand, the plan has been enough to allow Matsushita to report a 65 per cent rise in consolidated pre-tax profits to Y175.5bn in the nina months to last September. Matsushita executives admit that the company is unlikely to return to the 10 per cent average annual sales growth rates of the 1980s in the near future. But the company looks likely to achieve its target of restoring profit margins – before extraordinary items and tax – to 5 per cent of sales by 1997 from the present level of just over 3 per cent.

The plan reaffirms the importance of Japan as a manufacturing base, apparently defying conventional wisdom that Japanese industry will need to relocate its manufacturing operations to lower-cost countries. While Mr Morishita forecasts an increase in overseas output from the present 20 per cent of the total, he intends to limit it to 25 per cent. And he envisages no change in the present geographical sales split, whicb is roughly evan between Japan and overseas.

While Mr Morishita admits that growth will be faster in the long term overseas than in Japan, he is not prepared for the company to follow the example of the US electronics industry and shift most production offshore. That is anathema to Matsushita's managers for a mixture of strategic and cultural reasons which suggest the "hollowing ont" of Japanese industry – the shift of production to cheaper foreign locations – will be slow and cautious.

"Japan, as a country without natural resources, must retain its manufacturing operations," says Mr Morishita. "If we do not do well in Japan, we will not do well anywhere else," adds Mr Tadazaku Yamamoto, a senior managing director.

That view is born not out of sentimental attachment to Osaka, but from Matsushita's long experience as a foreign investor. It was, for example, the first Japanese electronics company to open a foreign plant, in Thailand in 1961. Since then, its overseas output has risen to $11bn annually, the biggest in its sector.

During that time, says Mr Yamamoto, Matsushita learned that the need to nurture research and development limits the extent to which it should internationalise production. Traditionally, the most "market oriented" new prodnct ideas bava come from its factories around Japan, rather than from basic research in Osaka – which is why 90 per cent of Matsushita's R&D staff work in prodnct design in the business units.

One example of what Mr Yamamoto means by "market oriented" products is "fuzzy logic" electrical goods, with complex circuits that can remember tbe user's preferences, making them simpler to operate. Another is widescreen television, expected hy Matsushita to more than double its sales to 3.3m units this year.

Move too many factories abroad, argues Mr Yamamoto, and Osaka headquarters will lose touch with its shopfloor inventors. He cites the US electronics industry, which he believes harmed its research capacity by shifting too much production to east Asia.

By the same token, the research ideas to come out of Matsushita's central corporata laboratorias, rather than from the business divisions, have been less marketable. Only last year the company stopped production of one such idea, a flat-screen television, on the grounds that liquid crystal displays, where Sharp is the market leader, are better quality. Now Matsushita has started making its own LCDs, instead of buying from Sharp.

Matsushita's critics quip that it has always been better at leaving other companies to take the risk of basic research, a strategy that has earned it the nickname of *Maneshita*, Japanese for imitator. Yet imitation has worked well for Matsusbita, says Mr James Abegglen, chairman of Gemini Consulting Japan, the management consultants. "When they join the side, they go into massive production. Once they decide to buy a market, there's nothing to stop them," be says.

That was the strategy Matsushita followed in the 1980s, wben it decided to back the VHS video format, developed by its subsidiary, JVC, against Sony's Betamax. It is repeating that today, by backing Toshiba's digital video disc format – which Matsushita took a hand in developing – against Sony's rival technology.

Matsushita's capacity to adopt such a strategy requires cash to buy into the new markets and distribution outlets for its products. Both of these the company has because of its strong domestic base.

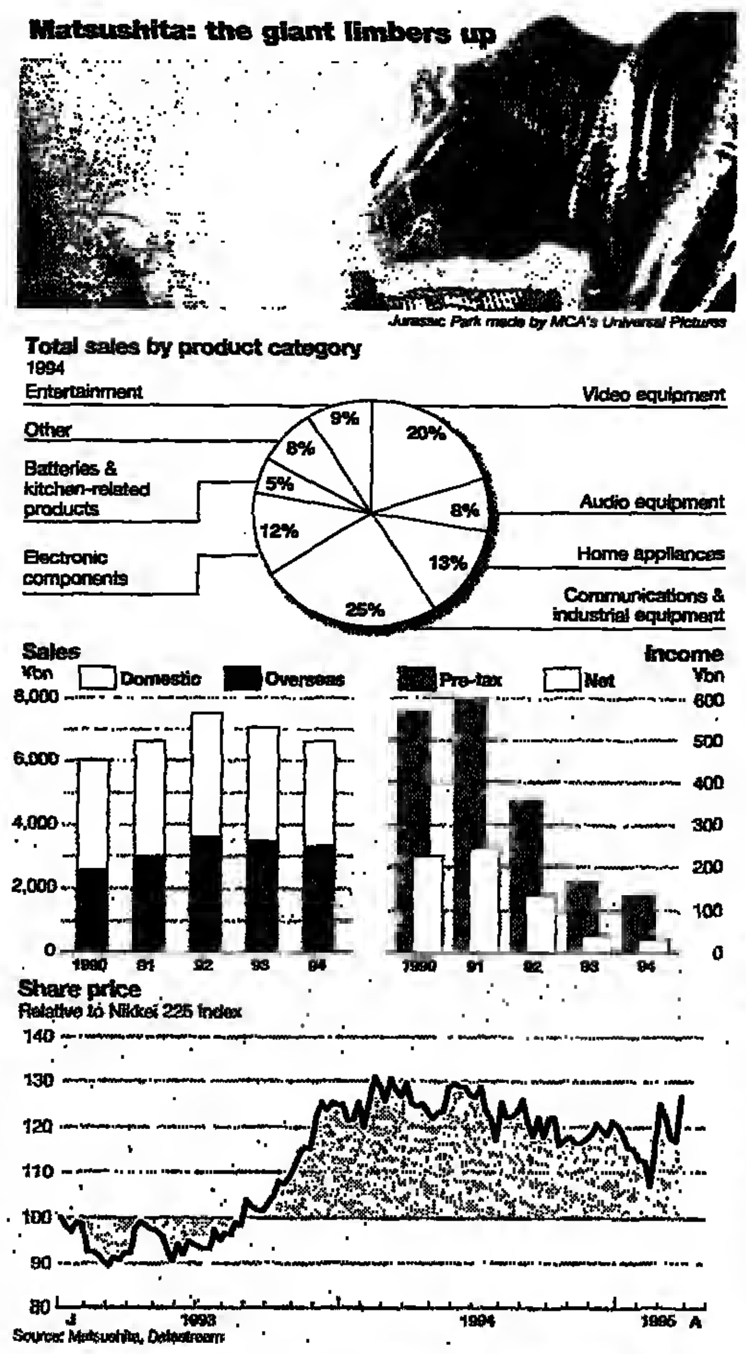
Its Y1,800bn pile of net cash, a product of the financial caution which has so annoyed MCA's executives, is a formidable war-chest. And its "National" chain of 24,000 franchised stores give it guaranteed market access for new gizmos, and account for 60 per cent of its domestic sales.

Tbe company's domestic retailing strategy through corner electrical stores is likely to stick, says Mr Shiro Endo, managing director of consumer product sales, in spite of tbe growth of discount chains piled high with goods from Sony and Toshiba. While tbe market sbare of franchised electronics stores has slipped from 40 per cent to 32 per cent since 1990, Matsushita reckons its sbare of the Japanese consumer electronics market is roughly stable at between 20 per cent and 30 per cent.

The company is convinced that the decline in corner stores has stabilised – another point on which Matsushita defies traditional wisdom about the structural change in Japanese industry. in spite of the success of discounting, customers are still prepared to pay a premium of up to 6 per cent for the convenience of shopping in a corner store, says Mr Endo – just about enough to keep such sbops in business. Japan's sgeing population, with its demand for attentive local service, ensures a stable market for convenience stores.

Accordingly, Mr Morishita's reorganisation plan seeks to make the existing structure more efficient, rather than turn the company inside out. The yen's further surge against the dollar since the plan was drawn up in late 1993 has not caused him to change this, even though it has added to the pressure to cut costs.

Like much of Japanese industry, Matsushita intends to stick to its time-honoured values, in spite of pressures to internationalise. But while such traditions have proved to be a strength in adapting to adverse conditions such as an appreciating yen, they emphasise the gap that remains between such companies and the business culture of North America.



Tinseltown loses sparkle

Matsushita, like most of Japan's big industrial companies, is accustomed to being master of the game when investing abroad.

Normally, the company expects to export Japanese expertise to add value to acquisitions or investments, whether it be robots to a new factory in China or research and development to Europe.

But Matsushita's doubts over the future of its ownership of MCA show how that rule has been reversed when operating in Hollywood. Matsushita bought the studio in the hope that it would add value to the company by helping it sell more of its manufactured products, for example, its new digital video discs carrying MCA films, the first samples of which are due out at the end of this year.

The strategy is just about to pay off, argues Mr Yoichi Morishita, Matsushita's president. But others say the company looks anything but master of the game in Hollywood. "Five years after the purchase of MCA, Matsushita still gives the impression of not fully understanding the film industry," says Mr Andrew Haskins, electronics analyst at James Capel Pacific.

Matsushita's management has kept its distance from MCA, even at the time of acquisition, when it left the choice and handling of the deal to its US adviser, Mr Michaei Ovitz, chairman of Creative Artists Agency, Hollywood's top talent spotter. Normally, Matsushita chooses its own advisers and sends its own executives to tie up details of a foreign investment.

This also means keeping a tight rein on cash. Matsushita's business divisions, for example, are not allowed to borrow or deposit cash in commercial banks. They must deposit cash with the corporate finance department in Osaka and borrow from the same source.

The latter is discouraged, however. "If a division needs to borrow from bead office, we often feel there is sometbing wrong," explains a Matsushita executive.

This has been a cause of frustration for MCA's US managers, since one consequence has been Matsushita's refusal last year to let the studio buy Virgin Records or a stake in NBC television.

For Matsushita, the studio's decision to proceed regardless with the most expensive film ever, Waterworld, a futuristic aquatic epic with a budget of $145m (£90.3m), has aroused concern over the company's ability to control the studio's finances.

In its own terms, Matsushita's financial caution makes sense. The Japanese recession has forced it to cut costs at bome, within the limits of the Japanese big company principle of not firing people, making it all the more reluctant to expand in Hollywood.

As a result of MCA managers' concerns, Matsushita has appointed Allen & Co, the US investment bank, and Mr Ovitz's agency to advise it on the studio's future. Two options have emerged: to sell a minority stake to raise capital; or to sell ont completely.

While the company has not denied that it is considering the first option, its top managers say tbey would be very relnctant to consider a complete sale. It would be unlike Matsushita to ditch a strategy witb no warning, especially such a high-profile one as this.

And yet, as Mr Haskins warns, if the price is right, Matsushita might just reconsider.

OBSERVER

Give me back my toy

■ Yon thought the battle for the HQ of the World Trade Organisation, child of Gatt, was over, with Geneva winning almost hands-down. Wrong. In the US, on the Senate Finance Committee, the fight continues.

Committee chairman Bob Packwood, an Oregon Republican, and New York Democrat Daniel Patrick Moynihan, have written a joint letter to President Bill Clinton, urging him to seek relocation of the World Trade Organisation to Washington DC.

At a committee hearing on Tuesday, Moynihan put the case to Mickey Kantor, the US trade representative. When it comes to trade matters, said Moynihan, "Geneva is Brussels East… it is a sub-division of the European Union and boy, can negotiations go on forever and rarely to the advantage of the US."

"As usual your logic is unassailable," replied Kantor, pointing out that while the Germans and Swiss both put in bids for the WTO, the US did not. Moreover, the Swiss offer was "lucrative" while the US has "budget problems all over the place".

Moynihan persisted. The WTO "is ours by right of invention… we thought of it first and styled it first… it was a trade policy that we pursued when we were the only nation standing in the world," adding his readiness "to give up the World Bank" in exchange for a Washington-based WTO.

Kantor made no commitments but said the US budget might allow for the funding of a WTO office in Washington to coordinate "with things like the World Bank".

Fill 'er up

■ Nice to see that China's state companies, as they lumber towards capitalism, haven't forgotten the teachings of the late Chairman Mao about sexual equality.

Fortune Oil, the London-quoted "red chip" company partly owned by the Chinese state, is building the first of a network of petrol stations in southern China. Company officials say that – in keeping with China's communist tradition – they will take a non-sexist approach to staffing; all attendants will be women.

But no drab Mao suits. A top Hong Kong designer will make the uniforms.

Without a paddle

■ While the London-based European Bank for Reconstruction and Development was having a spot of bother last week fending off AT&T in a row over tendering procedures for telecoms contracts, the man at the centre of the storm was enjoying a peaceful boating holiday.

Bernard Gouveia, soon to retire as the EBRD's head of procurement, had booked himself a week's cruising on a Northamptonshire canal boat – one which didn't have a mobile phone.

There was an increasingly frenetic atmosphere as Ron Freeman, the EBRD's deputy head, desperately tried to get hold of Gouveia to seek his view about AT&T's complaints. Early in the week, when Freeman learned from an underling that Gouveia was out of reach, he barked over the bank'a internal e-mail system: "This will not do."

After commanding Christofides Christos, Gouveia's stand-in, to pull out all the stops to contact his boss, Freeman was encouraged to learn that Gouveia was being "relentlessly" pursued, though no-one knew his precise whereabouts on a canal stretching several hundred miles.

One official put himself in line for promotion by saying he knew the town where Gouveia was starting from. The prospects were short-lived when he then confessed: "I cannot recollect which direction he planned to travel in."

Yen for a yawn

■ Latest good idea from Japan is the nap hotel. In Osaka, stressed-out workers can now call into a hotel and catch a little shut-eye. The hotel has installed nine tiny mountaineering tents for single use, and five swimming pool deckchairs. The cost is $3.20 for a 30-minute snooze inside a tent, or $2.15 for half-an-hour on a deckchair. Most users take at least hour-long naps.

Browned off

■ Antoine Waechter, France's hard-line green candidate for the presidency, yesterday acknowledged defeat in his effort to harvest the 500 signatures necessary to join the ballot for the first round on April 23. He thought he had been promised support by 560 people, but fell 15 short.

Such are the divisions in French ecological politics that three candidates had been in the running; one dropped out last month. As the remaining two couldn't decide for themselves how to avoid splitting the vote, their sponsors made up their minds for them.

But we shouldn't complain. At least the ballot paper will now be a bit smaller; think of the saving on paper.

Stir-fried

■ The Russian news agency Interfax says Russia is to sell 259 warships, including two aircraft carriers and 39 submarines, to South Korea for scrap. That's a lot of woks.

The Financial Times

100 years ago

Mr Cecil Rhodes on Rhodesia
Cape Town: In a speech delivered at Queenstown the Right Hon. Cecil Rhodes, referring to the charter of the British South Africa Company, said that with the white community increasing in Rhodesia self-government would be demanded and he was preparing the way for that, or for federal government with the Cape.

50 years ago

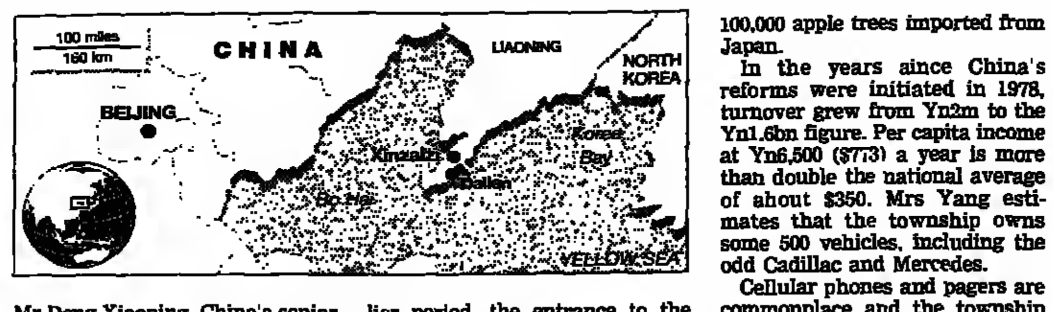
Japanese Bonds Ease
The news of the resignation of the entire Japanese cabinet under General Koiso, announced by Tokyo radio yesterday, was not known in the City until near the close of dealings and jobbers were rather uncertain as to whether the move was a bull point or a bear point for Japanese securities.

In some quarters it was considered a step in the direction of peace, but in others the view was taken that a more powerful administration would probably take its place in order to strengthen resistance and force the Allies to offer some sort of terms that would save face and avoid unconditional surrender.

FINANCIAL TIMES
Thursday April 6 1995

China plans a new revolution

Philosophies are changing as villages consider their economic future, Tony Walker reports



At Xinzaizi township picture theatre they are showing The Story of a Tycoon – a tale of money, sex and power set in Hong Kong. Xinzaizi, a 5,800-strong community of farmers and workers located on the outskirts of Dalian, the main port city in north-east China, may not share Hong Kong's glamour, but the money-making drive among its people appears no less strong.

The township, which boasts 337 enterprises ranging from horsemeat production for export to Japan to a chicken processing factory, ranks among China's top 10 rural communities in turnover – Yn1.6bn ($190m) in 1994 – and has become something of a national model.

Mrs Yang Guixiang, a deputy director of the village, outlines a simple philosophy for prosperity. "You can't get rich without commerce, without foreign capital and without selling your products abroad. We have tried hard to link the advantages of the village with the outside world."

In this, Hong Kong and other foreign investors have played a role, certainly in the early stage of Xinzaizi's transformation from struggling rural community to a medium-sized corporation which is beginning to invest elsewhere in China: amusement arcades in Shenzen, property in Beijing, and a silver-fox farm in Xinjiang. The township's other great advantage is its close proximity to Dalian, a city of about 5m.

Xinzaizi is an exemplar of what are known in China as "township and village enterprises" (TVE). These have proved the surprise success story of the reform effort. Mr Deng Xiaoping, China's senior leader, has said the growth of such collective enterprises was not anticipated.

A recent World Bank study reported that TVEs now account for more than a quarter of industrial output, and are growing at about 25 per cent a year. This compares with 16 per cent growth for the state sector in 1993, and slower growth in 1994.

All this is a far cry from the 1960s and 1970s when Xinzaizi, like thousands of other similar enterprises across China, was a farming commune relying on a work points system to reward its workers with subsistence wages. So-called sideline production was banned.

Political slogans employed in the township these days to spur productivity could hardly contrast more sharply with those of the past. "You can't get rich without enterprise," reads one. "Plant more trees and have fewer babies", reads another.

In the politically charged earlier period, the entrance to the township was dominated by a slogan: "Long, long live Chairman Mao. Long, long live the great Communist Party of China."

Today a sculpted eagle, like the symbol on an American banknote, guards the entrance. "We aim to soar like an eagle," said Mrs Yang.

But in common with businesses across China that have been caught in a government-imposed credit squeeze, Xinzaizi is also finding it more difficult to soar these days. A partially-completed commercial building of 16 storeys on which work has stopped is a casualty of the squeeze.

Well-established businesses geared for export and the domestic consumer market are continuing to function well, Mrs Yang said. Apart from horsemeat and chickens, the township produces nails for export, is engaged with a Korean company in making shoes, manufactures parts for refrigerators, operates a large timber mill, and has planted 100,000 apple trees imported from Japan.

In the years since China's reforms were initiated in 1978, turnover grew from Yn2m to the Yn1.6bn figure. Per capita income at Yn6,500 ($773) a year is more than double the national average of about $350. Mrs Yang estimates that the township owns some 500 vehicles, including the odd Cadillac and Mercedes.

Cellular phones and pagers are commonplace and the township boasts 12 karaoke bars, a symbol of commercial success across China. In an effort to improve local awareness, the administration delivers a daily copy of the Dalian newspaper to each household.

Mrs Yang is an example of the changes that have swept across China. As a young adult she was caught up in the fervour of the Cultural Revolution, marching into Beijing's Tiananmen Square to proclaim support for the revolution.

"At that time", she explained, "no one believed it would be like this, so in that period you had to follow the political wind." Now, it seems, Mrs Yang and her comrades have a commercial wind impelling them forward.

Asked if she was worried about whether China would maintain its present course after the ailing Mr Deng's death, she said: "I don't think there will be big changes affecting us. In any case, we have always adjusted ourselves to the party line."

UK will take ferry safety plea to UN

By Kevin Brown and Charles Batchelor

The UK government is to campaign in the United Nations for tighter maritime safety regulations requiring shipowners to fit transverse bulkheads to all vehicle ferries, to prevent disasters such as the sinking of the Estonia last year.

Mr Brian Mawhinney, the transport secretary, told the Commons yesterday that British research commissioned after the Estonia disaster showed that bulkheads – vertical walls built side-to-side across vehicle decks – could help stop ships capsizing when water enters the decks.

Mr Mawhinney said the UK would press for co-ordinated international action to make bulkheads compulsory when the research is debated in May by the International Maritime Organisation, the UN body responsible for safety at sea.

Officials said the UK would try to reach a regional agreement with other European countries if the IMO resists British pressure for early action, as it did in 1992 over an earlier tightening of safety rules.

"We want to do this through the IMO, but if that strategy fails, we would seek a regional agreement with other countries in northern Europe to ensure that transverse bulkheads or an equally effective equivalent are fitted to all roll on, roll off ferries within a relatively short time scale," a senior official said.

The UK government's endorsement of transverse bulkheads follows years of campaigning by naval architects since the capsizing of the UK ferry Herald of Free Enterprise with the loss of 189 lives in 1987.

Many experts have argued strongly that transverse bulkheads are the only effective way of preventing water from moving around the enclosed decks of ferries. Very small amounts of water can capsize a ship.

Transport department officials said the UK would press for fitting of transverse bulkheads to all roll on, roll off ferries – including those already constructed – to Solas 92, the IMO's highest safety standard.

The cost, which would be borne wholly by shipowners, is difficult to determine because it depends on the number of bulkheads required by each ship, which depends on the final regulations.

Bulkheads cost about £500,000 each to fit, suggesting a cost of at least £45m for the 90 roll on, roll off ferries serving UK ports, of which 46 fly the British flag. The cost could easily be doubled if more bulkheads were required.

The International Chamber of Shipping said the cost of bringing old ships up to the revised standard could be "considerable." However, P&O European Ferries said cost was not a major consideration in safety matters.

Stena Sealink, one of the largest cross channel ferry operators, said ferry operation was the main influence on safety. However, it plans to introduce high speed twin-hulled catamaran-style ferries on the Irish Sea, which it says are safer; the car deck was well above the waterline and there were no bow doors.

Sharp rise in platinum price

Continued from Page 1

iary of the Anglo American Corporation of South Africa which also owns nearly 24 per cent of Rustenburg, the world's biggest platinum producer. South Africa supplies most of the world's platinum and nearly all the rest comes from Russia.

Mr Jeremy Coombes, general manager, marketing, for Johnson Matthey, the world's biggest platinum marketing group – which also has links with Anglo – suggested the Engelhard system was potentially good for the market. Platinum producers would cope, he insisted. "If every new car in the world had one [of these catalysts] fitted, there would still be enough lead time for mines to be developed. The world won't run out of platinum."

Dollar

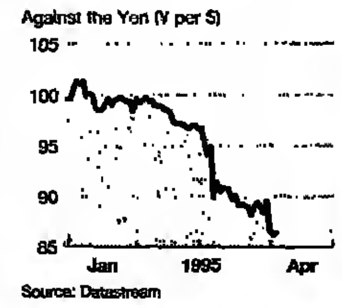
Continued from Page 1

the effectiveness of the intervention later because they left the impression that the Bundesbank was an unwilling ally of the Federal Reserve.

At lunchtime in New York the dollar was trading at Y86.20 and DM1.3740, marginally below the levels at which the central banks first bought the currency.

Dollar

Against the Yen (Y per $)



Source: Datastream

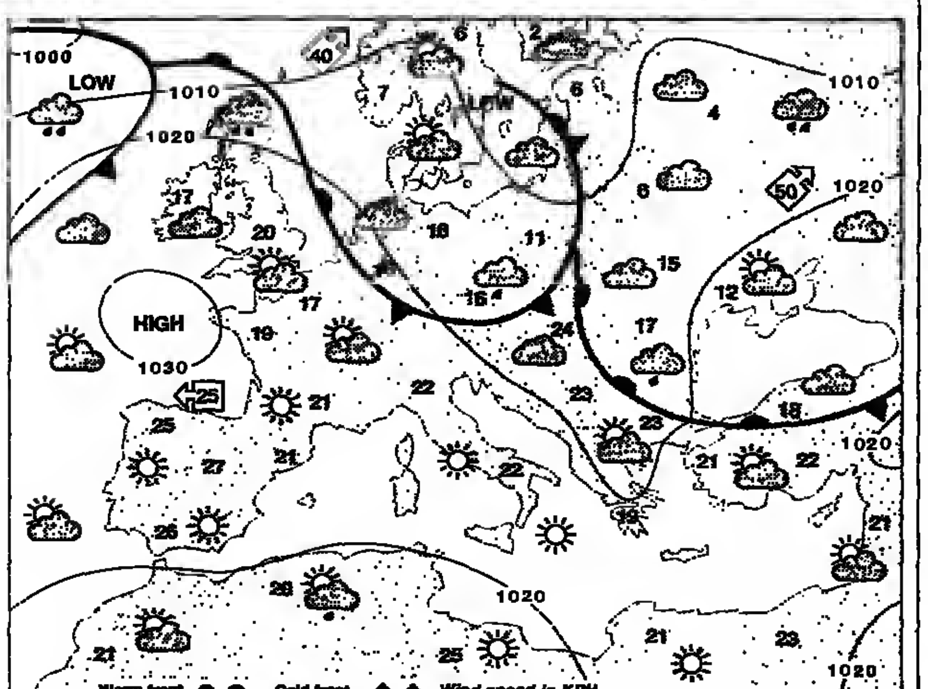
FT WEATHER GUIDE

Europe today

Strong high pressure west of France will give calm and spring-like conditions in western Europe. Most areas will have a lot of sun but Scotland will have outbreaks of rain with temperatures exceeding 15C. Southern Spain should see 25C. Low cloud will persist near the Bay of Biscay. A large band of cloud with scattered rain will expand from the Gulf of Finland towards southern Germany. Most of the Mediterranean will be sunny and warm. Southern Italy will turn cooler. Cloud will increase in the Balkans and heavy thunder storms will develop over north Africa.

Five-day forecast

A northerly flow will push cooler air to northern and central Europe. It will be dry and sunny from the British Isles to Africa. Low pressure will intensify while crossing Scandinavia, causing windy and slightly wet conditions in the Baltic States. Unstable and cooler conditions will reach the northern Balkans next week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	fair	26
Accra	fair	33
Algiers	fair	20
Amsterdam	fair	15
Athens	sun	21
Atlanta	rain	19
B. Aires	fair	29
B.ham	fair	20
Bangkok	cloudy	36
Barcelona	fair	20
Beijing	cloudy	19
Belfast	fair	17
Belgrade	fair	23
Berlin	rain	13
Bermuda	fair	20
Bogota	fair	20
Bombay	sun	33
Brussels	fair	17
Budapest	cloudy	18
C.hagen	cloudy	10
Cairo	sun	22
Cape Town	sun	26
Caracas	fair	29
Cardiff	fair	17
Casablanca	fair	21
Chicago	shower	13
Cologne	cloudy	17
Dakar	fair	24
Dallas	fair	26
Delhi	sun	33
Dubai	fair	28
Dublin	fair	18
Dubrovnik	fair	20
Edinburgh	cloudy	18
Faro	sun	22
Frankfurt	cloudy	18
Geneva	fair	22
Gibraltar	sun	21
Glasgow	cloudy	17
Hamburg	rain	14
Helsinki	cloudy	5
Hong Kong	rain	23
Honolulu	fair	27
Istanbul	sun	18
Jakarta	shower	31
Jersey	sun	14
Karachi	sun	34
Kuwait	sun	25
L. Angeles	fair	20
Las Palmas	sun	23
Lima	sun	27
Lisbon	sun	26
London	fair	21
Lux.bourg	cloudy	17
Lyon	fair	22
Madeira	fair	21
Madrid	sun	25
Majorca	sun	21
Malta	sun	19
Manchester	sun	18
Manila	cloudy	32
Melbourne	shower	18
Mexico City	fair	23
Miami	thund	29
Milan	sun	23
Montreal	fair	0
Moscow	fair	6
Munich	rain	18
Nairobi	cloudy	29
Naples	sun	20
Nassau	shower	29
New York	fair	9
Nice	sun	18
Nicosia	fair	23
Oslo	fair	10
Paris	fair	18
Perth	sun	29
Prague	rain	14
Rangoon	sun	35
Reykjavik	cloudy	3
Rio	cloudy	27
Rome	sun	20
S. Frsco	shower	17
Seoul	cloudy	15
Singapore	shower	32
Stockholm	cloudy	8
Strasbourg	fair	21
Sydney	fair	21
Tangier	fair	23
Tel Aviv	sun	23
Tokyo	shower	18
Toronto	snow	5
Vancouver	rain	13
Venice	fair	18
Vienna	cloudy	18
Warsaw	cloudy	11
Washington	fair	18
Wellington	fair	19
Winnipeg	fair	2
Zurich	cloudy	19

THE LEX COLUMN

Rethinking remuneration

The loss of a few traders should not cause Salomon Brothers to waver in its determination to inject some reason into remuneration in the securities industry. Salomon's re-think of its compensation arrangements last October may have been prompted by the need to placate a big shareholder in the wake of heavy losses. But its radical approach is laudable. Among the new measures, Salomon will defer compensation for profits earned by proprietary traders, reducing it in the event of losses in subsequent years.

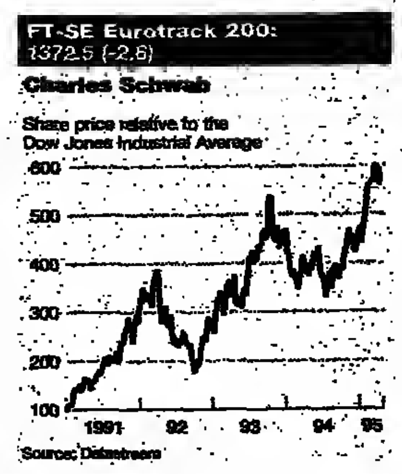
Mr Deryck Maughan, Salomon's chairman, was smart to warn shareholders that the move "could hurt earnings in the short run" by causing the defection of productive traders. Some have gone. But he has chosen a good moment to bite the bullet. The boom in hedge funds, which pumped up Wall Street packages, appears to be waning.

Salomon Brothers is not the only firm to have taken action. But other moves – such as payment of bonuses in the form of notes that can only be cashed in later and lock-up periods for bonuses paid in shares – are designed to act as golden handcuffs. They do not address the fundamental problem, which is that traders tend to be rewarded with massive bonuses in good years, and with only slightly smaller bonuses in years when they have lost money. Faced with the prospect of lower bonuses, traders hold wimpish managers to ransom with threats of defection. Since salaries are the single greatest expense for these firms, shareholders are currently getting a raw deal. Salomon is right to stand firm; others should do the same.

FT-SE Eurotrack 200: 1372.5 (-2.8)

Charles Schwab

Share price relative to the Dow Jones Industrial Average



Source: Datastream

Argentina

The crisis of confidence in Latin America caused the doors of the international capital markets to slam shut. Argentina is a case in point. Its economic fundamentals are relatively sound, but the knock-on effect of Mexico's devaluation pushed the country's finances to the brink. Now, though, it looks as if Argentina will manage to raise foreign capital again – albeit from banks rather than directly from end-investors. As part of a larger package, economy minister Mr Domingo Cavallo is trying to put together a $2bn bond financing. A $1bn domestic tranche has already been oversubscribed, but the international tranche is proving more difficult to place – not surprisingly, since the bonds will yield less than 10 per cent, compared with about 20 per cent for publicly traded debt.

The advent of bond financing, by increasing the number of creditors, has made it harder to twist arms. Nevertheless, several leading US banks are said to be signing up for $50m apiece of what is in reality a subsidised loan. European banks are proving more resistant. The reason is clear: US banks hold more Latin American assets than their European peers, and so have more to gain from Argentina's recovery. One reading is that they have failed to learn the lessons of the Latin American debt crisis of 1982. But on balance they are probably right to chip in. The market has already started to recover, and friends will be rewarded with privatisation mandates and the like, when emerging markets return to favour.

Sharelink/Schwab

Charles Schwab's extraordinary success in the US is reflected in a share price which has risen more than five-fold against the market in the past five years, and assets held on clients' behalf up threefold to $123bn since 1991. It is not surprising that Schwab is now seeking to replicate this success outside the US with the acquisition of Sharelink Investment Services.

The agreed takeover will give Schwab control of the biggest discount broker in the UK, the country which has Europe's largest stock market. But the price of £39.7m is a lot to pay for a business which lost £500,000 in the last year and has shareholders' funds of just £8.1m. The attraction for Schwab must lie in Sharelink's 600,000 customers, and the potential for earning higher profits in future by selling them new products and services akin to those on offer in the US.

Revitalising Sharelink's profits will not be easy: the UK company still derives most of its turnover from volatile dealing commissions. In the US, Schwab has brilliantly managed to expand into higher quality businesses, earning fees for introducing new business to mutual funds or holding investments on customers' behalf. Sharelink has started to move in this direction with its fee-earning Personal Equity Plans and dealing services. The process will no doubt be accelerated under Schwab, with imponderable consequences for the rather sleepy UK private client investment market.

Aegis/Carat

Aegis is the latest media disaster to turn the corner. A spate of extravagant acquisitions made its Carat network Europe's largest media buying group. But a change in French law, which slashed the fat profits it earned from its dominant position in that market, revealed its weak financial foundations. Now, though, the worst is over. Aegis has refinanced its debts, brought in new management and relocated from France to the UK. It has also started to provide more information to shareholders and yesterday reported pre-tax profits of £20m.

Aegis has yet to make the most of Carat. But the signs of what may be possible are emerging. As the number of television channels and other media outlets explodes, companies have increasingly turned to specialist media buyers to help them achieve the maximum impact for their advertising spending. Moreover, with a strong position in every European country, Aegis is well-positioned to win business from multinationals. As a result, its market share among the specialist buyers has also increased.

In the longer term, Aegis's new management has two goals. The first is to move up the value chain – acting as a strategic consultancy rather than merely buying advertising slots. That should in time improve its margins. Second, it plans to follow its big clients beyond Europe and build Carat into an international brand. Aegis's shares trade at a discount to the market on a price-earnings basis. But if it can achieve these goals, there is scope for a big rerating.

See additional Lex comment on UK insolvency proposals, Page 19

FINANCIAL TIMES
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IN BRIEF

Bank Austria to sell holdings

Bank Austria, the country's largest bank, is to sell off most of its holdings in industrial companies, which include cinemas, restaurants and hotels to large stakes in A. Porr, the leading construction group, and Lenzing, the viscose fibre maker. Page 16

Alitalia cuts loss to L288bn
Alitalia, Italy's state-controlled airline, cut its net losses last year to L288bn ($167m) from L344bn in 1993, but its debt continued to rise. Page 17

Qantas debt rating upgraded
Standard & Poor's, the US credit rating agency, yesterday confirmed a triple-B-plus long-term rating for Qantas, the Australian airline which is set to be privatised later this year, and said it had revised the rating outlook from "negative" to "stable". Page 17

Restructured Aegis recovers to £20.1m
Restructuring benefits helped Aegis, Europe's biggest media-buying and planning group, turn round from pre-tax losses of £18.1m ($28.9m) to profits of £20.1m in 1994. Page 19

Laird advances to £47.7m
Laird Group, the motor components and building products manufacturer, yesterday reported a 25 per cent increase in profits following a sharp rise in European vehicle production. Page 20

BCE's 22 years of dividend rises ends
Tough competition in telecommunications has ended a 22-year string of dividend increases from BCE, the holding company that controls Bell Canada and is Canada's biggest company. Page 18

Seita grows 12.4% to FFr658m
Seita, the French tobacco and matches group which was privatised earlier this year, yesterday announced net profits of FFr658m ($136m) for 1994, a rise of 12.4 per cent. Page 18

Brands Hatch Leisure sold
Brands Hatch Leisure, the private company that owns the famous motor racing venue and three other tracks in the UK, has been sold for £15.5m to a management team backed by Apax Partners, the venture capital group. Page 19

McCaws plan $1.1bn investment in Nextel
Mr Craig McCaw, founder of McCaw Cellular, and members of his family, are to invest up to $1.1bn in stock of Nextel Communications, a US wireless communications company. Page 18

Exports help lift David Brown
David Brown, the specialist engineering group, shrugged off sluggish UK demand with a buoyant export performance and a 15 per cent increase in pre-tax profits for last year. Page 20

Decision on Suard expected soon
Alcatel Alsthom, the French industrial group, yesterday announced a sharper than expected fall in profits for last year and indicated it would decide the fate of Mr Pierre Suard, the chairman, at a board meeting later this month. Page 16

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Rises				Pegasus Gld	17	-	¼
Kaufhof	462	+	9.2	Rogers Com A	18⅝	-	⅝
Lahmeyer	569	+	14	Winpak	23¼	-	¼
Zanders	210	+	11.5	**PARIS (FFr)**			
Falls				**Rises**			
Alsen	630	-	14.5	Ecco	698	+	17
Daimler Benz	684.5	-	6.5	Essilor Intl	835	+	21
GEHE	580.5	-	7.5	[illegible]	[illegible]	+	19
NEW YORK ($)				[illegible]	[illegible]	+	9.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+	6.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	12
[illegible]	[illegible]	[illegible]	[illegible]	**TOKYO (Yen)**			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+	39
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+	28
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+	47
LONDON (Pence)				[illegible]	[illegible]	+	32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	43
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	28
[illegible]	[illegible]	[illegible]	[illegible]	**BANGKOK (Baht)**			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+	4.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	+	18.0
TORONTO (C$)				[illegible]	[illegible]	+	4.0
Rises				**Falls**			
[illegible]	[illegible]	+	[illegible]	[illegible]	[illegible]	-	13.0
[illegible]	[illegible]	+	[illegible]	[illegible]	[illegible]	-	3.75
[illegible]	[illegible]	+	[illegible]	[illegible]	[illegible]	-	3.5

Hong Kong closed. New York and Toronto prices at 12.30pm.

Chemicals group's board meets to consider purchase of 24% stake held by drinks company

Du Pont board poised on Seagram buy-back

By Bernard Simon in Toronto

The board of Du Pont, the US chemicals group, is due to meet today to consider a proposal to buy back the 24.1 per cent stake held by Seagram, ths international drinks group.

An announcement is expected this evening or early tomorrow. It is uncertain how Seagram intends to spend the money it would receive from the sale – roughly $10.1bn. But the drinks group, which is controlled by the Bronfman family, is a leading candidate to buy all or part of MCA, the Los Angeles-based sntertainment group, from Japan's Matsushita.

Investors' nervousness at the prospect of Seagram swapping its highly profitable investment in energy and chemicals for a wider exposure to the volatile film and entertainment business was reflected in an initial drop in Seagram's share price yesterday.

However, by midday on the Toronto Stock Exchange, the shares gained 25 cents to C$39.63. The shares have lost around 13 per cent of their value in the past week on exceptionally heavy volumes in Toronto and New York.

Seagram's share of Du Pont's earnings accounted for almost half of its net income of 52 US cents a share in the three months to Jan 31.

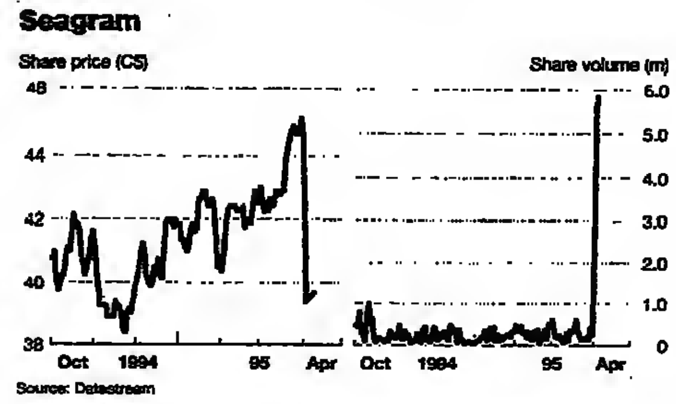
Dividend income from Du Pont and Seagram's 15 per cent stake in Time Warner totalled $318m in Seagram's latest fiscal year, ended Jan 31. This equalled 44 per cent of operating earnings from its core drinks business.

Du Pont's proposed share buy-back would follow a pattern set by many other cash-rich North American companies in recent months.

Pressure has come from institutional shareholders to follow this course of action rather than pay high prices for acquisitions. Du Pont's shares gained $1 to $62⅞ on the New York Stock Exchange by midday.

Seagram is best known for brands such as Chivas Regal and Glenlivet Scotch whisky, Martell cognac and Tropicana fruit juices. Its move into the entertainment business is closely identified with Mr Edgar Bronfman Jr, who succeeded his father, Edgar Sr, as chief executive officer last June.

Seagram



Source: Datastream

Seagram has said the diversification provides a window on an industry with new technology and explosive growth prospects, especially in North America. Under pressure from Time Warner, however, Seagram has agreed not to raise its stake above the current 15 per cent. Seagram's future intentions towards Time Warner are also unclear.

The recent slide in Seagram's share price indicates that the investment community would strongly disapprove of the company spending the entire proceeds of the Du Pont sale on acquiring MCA.

One concern is that MCA's prospects depend heavily on its assertive top executives, Mr Lew Wasserman, chairman, and Mr Sidney Sheinberg, president.

Relations between the two men and Matsushita have been tense.

Some analysts have suggested that Mr Bronfman has a more complex strategy in mind.

Operating profit falls at Crédit Lyonnais

By Andrew Jack in Paris

Operating profits at Crédit Lyonnais, the state-controlled bank, slid 30 per cent to FFr9.2bn ($1.86bn) in 1994. This resnlt came before provisions and write-offs against past losses which dragged the gronp to a deficit of FFr12.1bn for the year.

The figures come on top of a loss of FFr6.9bn for 1993, and also after restructuring agreed with the French state last month. These will allow the bank to remove np to FFr135bn in assets from its balance sheet and sell them over the next few years.

There were FFr17bn in new provisions, including FFr7.7bn for the commercial bank in France and FFr6.6bn for its other commercial banking operations elsewhere in Europe. There were also FFr485m in exceptional charges, and FFr1.3bn in tax charges.

Mr Jean Peyrelevade, chairman, said that Crédit Lyonnais had two structural weaknesses compared with its banking competitors: the inferior quality of its risk or loans, and its high proportion of costs to income.

The bank's ratio of administrative costs to net banking income was 81 per cent in 1994 – compared with a target over the next four years agreed of 70 per cent, which is more in line with other French banks.

Mr Peyrelevade said that he hoped the problem of poor quality risks had been addressed with the restructuring and provisions.

Asked about the precise obligations the bank will be under as part of the restructuring contract agreed with the French government, Mr Peyrelevade said that there was "no explicit clause on privatisation".

Mr Dominiqne Bazy, a member of his execntive committee, added that details of the conditions by which the bank would repay money to the state as it returned to profitability "remains to be negotiated".

The draft annual report, which was also circulated yesterday, showed that SPBI, the corporate vehicle guaranteed by the French state which will finance the assets removed from the bank's balance sheet, takes control of nearly 9 per cent of Crédit Lyonnais' shares.

The detailed figures show that FFr129.4bn in assets to be sold as part of its restructuring has been removed from the bank's balance sheet for 1994.

Norma Cohen sees global custody gathering momentum

Shake-out beckons as a sleepy service wakes with vigour

Global custody is not about adopting children from abroad, nor is it a topic discussed at gatherings of world law enforcement officers. Rather, it is a business which in recent years has become one of the most profitable – and most competitive – activities of international banks.

Last week it emerged that National Westminster Bank, one of the world's largest providers of global custody, has put its business up for sale, signalling the start of a shake-out in a sector which has seen its profits squeezed.

Custody, traditionally a sleepy backwater of a service which banks felt obliged to provide to their fund management and corporate clients, began as little more than the safekeeping of the assets of others. But in the late 1980s, as corporate bank borrowings were supplanted by the international securities markets, banks began to cast about for other businesses, particularly those which were low-risk and which could provide them with a steady stream of fee income.

"Given the way that banks typically rate their profits, this is an exceptionally profitable business," says Ms Diane Glossman, senior banking analyst at Salomon Brothers. Custody requires little capital and carries few credit risks.

Mr Michael Devine, head of custody at Royal Bank of Scotland, one of the UK'a largest providers, says that a custody customer will use a bank's other services as well. "A custody customer lasts an average of 10 years," he said. "Every custody customer needs banking, accounting, credit facilities, foreign exchange facilities."

Profitability for custody providers was also fuelled in the late 1980s by explosive growth in personal and collective savings which not only needed safekeeping, but also record-keeping, cash management and foreign exchange services. Most recently, clients have been demanding performance measurement services, securities lending and international proxy voting services as part of their package.

However, to service these clients, banks have been required to make large investments to upgrade their computer systems every year. "Consolidation in tha custody business is being driven by the technology base," Ms Glossman says. Simply put, the expenditure required to remain competitive is becoming greater than the fee incoms which custody clients are generating for all but the largest providers.

Not only do users want more information about their investments, she says, but US clients in particular are investing abroad, requiring much broader networks. Investors in the US and UK are also investing in emerging markets where regulation and existing facilities are elementary, making it very expensive for banks to provide the sophisticated custodial services that clients want most.

In profit terms, fixing the exact contribution from global custody is difficult because it is not described in discrete terms, but for the largest players, analysts say it is probahly very significant. Mr Van Grinsven estimates that about two-thirds of Northern Trust's incoms is derived from fees and nearly 40 per cent of that is from custody.

Mr John Lee, partner at Lee, Schwartz Associates, a consulting firm specialising in custody, says that custody probably accounts for 5 to 8 per cent of the balance sheet of Chase Manhattan Bank, while at State Street Bank, which has specialised in the business, it is 35 per cent of the balance sheet.

But the fierce compression of fees – now as low as a one-hundredth of a per cent of assets in custody in the UK – is forcing many banks to rethink their operations. "We've certainly reached the stage in the market where banks have had to take a hard look at what this business holds for them," Mr Lee said.

Banks have recently been heartened by signs that some non-bank providers are falling by the wayside. Last October, Prudential, the UK's largest life insurer, said it would no longer serve as its own custodian for the £40bn ($64bn) of assets it manages in the UK and asked banks to tender for the business. Similarly, Henderson Administration has abandoned its custodial business.

In the US, there are also signs of consolidation: State Street has moved to buy out its joint venture partner in Investors Fiduciary Trust, a leading provider of custody for US mutual funds; and Chase Manhattan has agreed to buy the processing operations of US Trust.

But these signs of consolidation do not mean the shake-out is well under way, cautions Ms Glossman. Weak loan demand and the volatility of securities markets means that banks are still keen to build on any business with low-risk and steady income. Also, surrendering a custody business can mean limiting a corporate banking relationship. "This shake-out will take years," she says.

Global custodians

Ranked by size, 1993 ($bn)

	TOTAL ASSETS	DOMESTIC	NON-DOMESTIC
Citicorp	249.1	52.3	196.8
Chase Manhattan*	213.0	119.0	94.0
JP Morgan	200.0	24.0	176.0
Bankers Trust*	147.0	96.0	51.0
Bank of Tokyo	129.9	88.7	41.2
ABN Amro	114.1	33.2	80.9
State Street	110.0	79.3	30.7
Chemical Banking*	100.0	30.0	70.0
Barclays Bank*	95.0	63.3	31.8
Brown Brothers	75.0	59.0	16.0
HSBC	66.2	45.2	21.0
Bank of New York	61.3	53.3	8.0
NatWest	59.2	21.1	38.1
Morgan Stanley**	50.0	42.0	8.0
Boston Safe/Mellon	44.4	36.3	8.1
Sumitomo (US)**	40.9	17.6	23.3
Northern Trust	32.7	20.4	12.3
BankAmerica	31.5	7.5	24.0
Bank of Bermuda	27.5	2.0	25.5
Lloyds	25.6	18.9	6.7

*As of December 1992 **As of June 1993
Source: Salomon Brothers

Losses at Salomon prompt search for financial controller

By Maggie Urry in New York

Salomon, the parent of investmsnt bank Salomon Brothers, is looking outside the firm for a financial controller to come in as number two to Mr Jerome Bailey, its chief financial officer.

The group, which was rocked by losses of $831m before tax in 1994, including a $278m charge to rectify book-keeping errors, is also considering appointing a chief administrative officer to assist Mr Deryck Maughan, chairman and chief executive of Salomon Brothers.

After last year's losses and in the aftermath of the embarrassing Treasury bond auction scandal in 1991, Salomon's management is considering a number of ways to restore the group's fortunes.

One observer said: "If you were the management and you looked at the results for the last four qnarters, the question would occur to you, 'Can we run this better?'".

Subjects under discussion have also included how the firm should best be structured, although no decisions are likely in the near future. The business is divided along geographical lines, but one idea would be to shift to a divisional structure based on activities, such as trading for clients and trading on the firm's own account.

Some moves along these lines were made last October when Salomon announced different pay structures for the client-driven and proprietary trading activities.

There have been staff losses following the new compensation package for ths 150 or so managing directors in the client-driven business which is expected to cut their packages to a third of what they received in 1994. Three managing directors have left recently.

The three who have left are Mr Hans Hufschmid, head of foreign exchange trading; Mr Alan Howard, s trader German bonds; and Mr William Rifkin, an investment banker.

Salomon said in its annual report that under the new scheme pay levels for the managing directors would be "well below market levels" in the short term.

Other Wall Street securities firms suffered in 1994 but Salomon's problems have been more severe than others in part because of its greater emphasis on fixed income activities.

Schwab to acquire UK sharedealer

By Motoko Rich in London

Mr Charles Schwab, the US pioneer of discount broking, has announced a recommended cash offer for Sharelink Investment Services, the UK's largest execution-only telephone sharedealing service.

His company, Schwab, the US's largest disconnt broker, announced it would offer 235p a share for Sharelink, valuing the company at around £39.7m. Shares in Sharelink surged 19p to 232p on the news. On the day before the bid talks were announced last week, its shares were 178p.

Schwab also said it would offer a full loan note alternative to Sharelink shareholders.

The acquisition is Schwab's first outside the US. Mr John Coghlan, executive vice-president, said: "We had completed a worldwide strategic plan last year and the UK marketplace leapt to the top."

Sharelink, which provides a smaller version of Schwab's services to 600,000 customers, has been vulnerable since it posted interim losses of £468,000 ($748,800) last November, compared with a £3.68m profit.

The takeover would give Sharelink extended capital resources and provide a buffer against market swings. Mr Charles Schwab, chairman of the eponymous company, would become Sharelink's chairman, while Mr David Jones would remain as chief executive.

The company processes share deals for Allied Dunbar, Abbey National, Halifax and Harrods Bank. It is understood to have handled 7.5 per cent of the shares floated by National Power and PowerGen, the English electricity generators. The board, which has a stake of about 14 per cent, has recommended the deal.

Lex, Page 14; Scene, Page 20

Decision on Suard expected soon

By John Ridding in Paris

Alcatel Alsthom, the French industrial group, yesterday announced a sharper than expected fall in profits for last year and indicated it would decide the fate of Mr Pierre Suard, the chairman, at a board meeting later this month.

The Alcatel chairman is under investigation and has been barred from running the group by a magistrate probing allegations of abuse of corporate funds and over-billing of France Télécom.

A Paris court which met yesterday to consider an appeal by Mr Suard said it would deliver its verdict on April 14, four days ahead of the extraordinary Alcatel meeting.

Mr Suard has strongly protested his innocence, but faces a struggle to retain his position as head of one of France's largest industrial groups.

"The situation is very messy," says one telecoms industry analyst. "Unless the magistrate's injunction is lifted, the board seems ready to appoint a replacement to try to resolve the situation."

The need to resolve the crisis arising from the legal investigations and Mr Suard's enforced absence is made more pressing by the deterioration in the company's performance.

The fall in net profits last year, to FFr3.6bn ($742.9m) from FFr7bn, was greater than the forecast 40 per cent decline, and reflected the severity of problems in some of Alcatel's most important markets.

In particular, a fall in prices and volumes in Germany resulting from the deregulation of the telecoms market was a big factor in restructuring provisions of FFr2.9bn.

Weakness in the Spanish and Italian telecoms markets was also an element in the provisions and helped drag operating profits down 34 per cent to FFr9.5bn.

Profits increased in the other operating divisions – cables, energy and transport, electrical engineering and batteries – while turnover rose 7 per cent to FFr167.6bn.

The company said it would maintain the dividend at FFr15 a share.

Investors in Alcatel have seen the value of their holdings fall by more than 50 per cent since the beginning of last year. This reflects the decline in earnings and the impact of the corruption investigations. Mr Suard denies any wrongdoing, but his absence from the management of the company is increasing pressure for a replacement.

Mr Pierre Bilger, chairman of GEC-Alsthom, the engineering and transport joint venture with GEC of the UK, is regarded as a possible successor. So, too, is Mr Jozef Cornu, vice-president of Alcatel. The company may also look outside the group.

Upbeat Renault VI back in the black

By John Ridding

Renault VI, the trucks and buses arm of France's Renault motor group, returned to profit last year and forecast further improvement in 1995.

Unveiling a pre-tax profit of FFr23m ($4.75m) for last year, compared with a loss of FFr1.44bn in 1993, Mr Shemaya Levy, chairman, yesterday struck an upbeat tone about the company's performance and prospects.

He said the recovery rested "on solid bases because it results from in-depth internal actions over the past few years". However, he admitted Renault VI still had further to go to reach the best levels of its competitors.

Renault VI attributed its recovery to restructuring and productivity measures, and to a rebound in the international trucks market.

In the US, where the company operates through its Mack division, the market reached 186,000 units, more than double the trough years of 1991-1992.

Mack, which has suffered a series of heavy losses since it was acquired by Renault in 1990, moved into the black at the end of the first half of the year. For the full 12 months, it reported operating profits of FFr120m.

Most European markets, with the exception of Germany, also improved on the performance of the recessionary 1992-1993 period. Mr Levy pointed to strong growth in France and Spain, and an overall increase in the market of 7 per cent to 218,000 units. At this level, however, it remains well below its peak of about 309,000 units in 1989, and still below the low point of the previous cycle, at 222,000 units, in 1984.

The improved demand translated into a strong increase in sales. Turnover rose 16 per cent to FFr29.6bn, while volumes advanced 25 per cent to 63,400 units. Mr Levy pointed to healthy demand for its top-of-the-range Magnum trucks, which saw sales rise 76 per cent to nearly 3,800 units.

The company lifted its market share in the US and in Europe. In Europe, Renault VI was one of only two companies to increase its share, accounting for 11.1 per cent of the market for trucks of more than 15 tons, against 9.7 per cent in 1993. The other company, said Mr Levy, was Volvo Truck, which was going to merge with Renault. The merger plans collapsed at the end of 1993.

Elf Atochem sees end to plastics price rises

By Jenny Luesby in Deauville

The sharp rise in commodity plastic prices will halt for the next three months, according to Mr Jacques Puechal, chairman and chief executive of Elf Atochem, the chemical arm of France's Elf Aquitaine.

Elf Atochem, which is one of Europe's largest producers of bulk plastics, makes all five of the main commodity plastics: high and low density polyethylene, polypropylene, polyvinylchloride and polystyrene.

Presenting the annual results yesterday, Mr Puechal said that except for polypropylene, commodity plastics prices would remain at current levels, in D-Marks, until the end of the second quarter. However, there would be further price rises in the second half of the year.

In D-Mark terms, prices rose by nearly 40 per cent during 1994, with the biggest increases in the second half.

Price increases last year helped lift Elf Atochem out of the red at an operating level, to FFr1.85bn ($381.8m) from a loss of FFr180m in 1993. Assuming a tax rate of 34 per cent, and normal financial charges, this translates into an after-tax profit of around FFr600m.

Some FFr800m of the operating improvement was attributed to a restructuring of the petrochemical and fertiliser business. Fertilisers were now breaking even.

The company was optimistic about 1995, although currency movements had hurt it.

A 9 per cent rise in turnover last year, to FFr53.3bn, had accelerated into double-digit growth figures in the first quarter, Mr Puechal said.

Sales of petrochemicals and bulk plastics rose 21 per cent in 1994 to FFr10.8bn. The company also reported strong growth in the chlorine and vinyls business, where turnover rose 10 per cent to FFr6.2bn, and in specialty chemicals and processed plastics, up 9 per cent at FFr18bn.

However, sales growth was only marginal for fertilisers and mineral and fine chemicals. The French market, which accounts for 32 per cent of the company's sales, remains more subdued than elsewhere in Europe. French sales rose 5 per cent, while turnover climbed 13.5 per cent in the rest of Europe.

Asia showed the strongest growth, up 40 per cent to FFr7.8bn; sales in North America fell FFr820m to FFr11bn. Most of this fall was blamed on currency movements.

DnB and state still disputing dividend

By Karen Fossli in Oslo

The dispute between the Norwegian government and Den norske Bank, the country's biggest commercial bank, has intensified, with the state continuing to demand a higher 1994 dividend payment.

The state holds a 72 per cent stake in DnB, which it built up through cash support to the bank during the country's worst post-war financial sector crisis, which ended in 1994.

Late on Tuesday, DnB's annual meeting approved the 1994 accounts, which allowed the bank to pay NKr801m ($129m) in dividends. This is equal to NKr1.25 a share, or 30 per cent of net profits of NKr2.7bn.

However, the government had been demanding a payont of up to 50 per cent of net profits, arguing that DnB's 1994 earnings and core capital were strong.

The government-backed Bank Investment Fnnd strongly urged DnB to pay a honus dividend of np to NKr0.65 a share later this year. Inclndiog the normal dividend, this would amount to 45 per cent of net profits.

The move took DnB by surprise, because the government knew of the NKr1.25 dividend proposal when it approved the 1994 accounts.

The board must consider the governmeot's reqnest. However, it is unclear whether the current board, chaired by Mr Ole Lund, will take a stand before he retires in June. As well, three other board members are up for re-election. The board may, therefore, decide to hand over the issue to a board headed by a new chairman.

However, sources close to the bank have suggested that Mr Christian Bjelland, vice-chairman of the board, will be proposed to replace Mr Lund, leaving just two other board members for re-election or replacement.

At the annual meeting, the state won approval to appoint seven members to DnB's 30-seat supervisory board, which elects the board.

Bank Austria to sell most of its industrial holdings

By Eric Frey and Ian Rodger in Vienna

Bank Austria, the country's largest bank, is to sell off most of its holdings in industrial companies.

These holdings range from cinemas, restaurants and hotels to large stakes in A. Porr, the leading construction group, and Lenzing, the viscose fibre maker. The companies have a combined turnover of Sch54bn ($5.5bn) and employ some 29,000.

"You will see a gradual decrease in our involvement. The speed will depend on market opportunities and our ability to find partners," said Mr Gerhard Randa, who yesterday became chief executive.

The holdings date back to the immediate post-war period, when most enterprises reverted to state ownership or to banks owned by the state.

Bank Austria's portfolio is particularly large because the city of Vienna, indirectly its largest shareholdar, transferred most of its commercial interests to the bank two years ago.

The bank, formed through a merger between Länderbank, controlled by the Austrian federal government, and Vienna's Zentralsparkasse savings bank network in 1991, inherited most of its industrial portfolio from Länderbank.

Mr Randa said the bank would concentrate on its core business, and would only keep minority holdings in companies with which it had close relations.

Banking sources in Vienna said the policy change was also motivated by the looming obligation to conform with European Union accounting practices.

These would require the bank to hold enough equity to back up all its industrial holdings.

Creditanstalt-Bankverein, the country's second-largest bank, announced a similar sell-off two years ago.

Bank Austria itself is about to be privatised. The federal government aims to sell its 22.8 per cent stake this year, and the city of Vienna, which controls 51.8 per cent of the votes through a foundation, plans to reduce its holding.

"We want to see a private sector majority at Bank Austria," Mr Michael Häupl, the city's new mayor, said.

Both Mr Häupl and Mr Randa said the city would maintain its guarantee on most Bank Austria liabilities, thereby assuring its Triple A credit rating.

Yesterday, Bank Austria said it would raise its stake in the constructinn group Waagner-Biro to more than 90 per cent from 85 per cent.

Lukoil to revamp through stock swap

By John Thornhill in Moscow

Lukoil, Russia's largest privatised oil company, plans to consolidate its shareholding structure through a stock swap. It promises a premium price for investors in its three operating subsidiaries.

The group will offer new shares in the parent company in exchange for stock in its three subsidiaries. The terms, however, will not be known before a shareholders meeting on April 21.

Mr Vagit Alekperov, president, said the consolidation would enable the company, which accounts for 15 per cent of Russia's oil output, to operate more effectively as a vertically-integrated organisation.

Shares in Lukoil's holding company and its three operating subsidiaries have been volatile recently as investors speculated about the terms of the possible share exchange. Lukoil was founded two years ago as the biggest of Russia's privatised oil companies.

Mr Leonid Fedun, vice-president, said shareholders in one of the subsidiaries, Lukoil-Langepazneftegaz, had voted to support the share swap. Investors in the other two, Lukoil-Uraineftegaz and Lukoil-Kogalymneftegaz, would also be asked to approve the plan in principle before the shareholders meeting. "We will pay a large premium to investors," Mr Fedun said.

Lukoil is also continuing with plans to raise more than $300m by issuing convertible bonds secured on an 11 per cent government-owned shareholding. The proceeds will be used to upgrade its oil facilities in Perm and Volgograd, develop a new field in the Tyumen region, and pay outstanding taxes.

Mr Alekperov said 1994 had been a tough year. Crude oil output fell 8 per cent to 45.1m tonnes last year, and the company estimates net income will be R670bn ($136.2m). It forecasts a rise in net income to R990bn for 1995.

Club Med to buy back US shares

By Andrew Jack in Paris

Club Méditerranée, the French-based leisure group, plans to buy back its US-quoted shares and concentrate its decision-making in Paris.

The group said yesterday it was offering to buy back the 4.23m shares in its subsidiary Club Med Inc, which are quoted on the New York Stock Exchange, at $26.25 each for a total of $111.1m.

Currently, 29.2 per cent of Club Med Inc's shares are quoted in New York, with the remainder held by Club Méditerranée, the holding company. The group said its offer price for the shares was 16.7 per cent above the average share-price over the past 30 days.

It said the decision was designed to "improve its organisational efficiency, increase its capacity and its operational flexibility".

The purchase would leave the group quoted primarily in Paris, although it also has small listings in Brussels and Luxembourg.

صورة من الاصل

NEWS DIGEST

Danish telecoms group lifts profits to DKr170.9m

Higher income from fibre-optic telecommunications cables between Denmark and eastern Europe lifted profits before financial items at GN Great Nordic to DKr170.9m ($31m) last year from DKr74.6m in 1993, writes Hilary Barnes in Copenhagen.

However, unrealised losses on the securities portfolio reduced net financial income to DKr6.2m from DKr86.5m.

Pre-tax profits increased to DKr189.9m from DKr164.8m, while net profits were up to DKr151.6m from DKr148.2m.

An unchanged DKr12 per share dividend is proposed, but the total pay-out will increase to DKr71.6m from DKr61.4m following a share issue last year.

Turnover increased to DKr1.70bn from DKr1.62bn.

GN has been a partner in projects involving the laying of telecommunications cables to link western Europe, via Denmark, with Poland, and through Poland to the Czech Republic, and with Russia. In February, a cable linking Russia with Japan and South Korea was inaugurated.

GN is also a partner in Denmark's second cellular phone system, inaugurated last year. The system made a half-year operating loss of DKr45m and is expected to make a further loss in 1995, but GN said that this deficit would be outweighed by increased earnings from other divisions.

Jardine Matheson arm may lift spending

Dairy Farm International, the food retailing member of the Jardine Matheson group, may increase investment this year by up to 50 per cent to US$300m, in spite of tougher trading conditions, according to Mr Graeme Seabrook, managing director, Reuter reports from Singapore. This is follows US$200m capital expenditure in 1994.

"We are negotiating to expand in Asia, rather than Europe," he said. "Most of Dairy Farm's expansion will target emerging countries and focus on discount grocery stores and the fresh food business."

Dairy Farm, an international food retailer, manufacturer and wholesalar, last week reported flat trading profits of US$269.6m for the year to December. Net profits rose 13.2 per cent to US$213.8m, helped by the sale of a factory site in Hong Kong.

This week, Dairy Farm followed other Jardine group companies in moving its share trading in Asia from Hong Kong to Singapore.

Westalian Sands issue to raise A$59m

Perth-based Westalian Sands yesterday announced plans to raise A$59m (US$43.4m) via a two-for-five rights issue, which will go towards funding a proposed A$134m synthetic rutile plant at North Capel, in Western Australia, writes Nikki Tait. The plant would more than double the company's existing production capacity of 230,000 tonnes per annum.

The issue is pitched at A$2.75 a share.

CRA offshoot raises cost estimate for mine

Bougainville Copper, part of the CRA mining group and responsible for running the big Panguna copper mine on the strife-torn Pacific island of Bougainville, yesterday put the revised cost of re-opening the mine at the "upper end nf the range of 350-500m kina" (ahont A$560m), spread over a number of years, writes Nikki Tait. The mine was mothballed in 1989, after bloody clashes between landowners and Bougainvillean secessionists, and the Papua New Guinea defence forces.

The island is under PNG sovereignty, and there have been efforts recently to resolve the six-year-old guerrilla war, although progress has been patchy.

Bougainville Copper said yesterday that production could be restarted within 18 months, but that "a sound basis for a lasting peace" and Bougainvillean support for the mine's reopening would be a prerequisite for any resumption of operations.

Canadian paper group moves base to Toronto

Canada's Scott Paper said it would move its headquarters from Vancouver to Toronto in July in an effort to be closer to its customers and plants, Reuter reports from Vanconver.

The company, 50.1 per cent owned by US-based Scott Paper Co, the world's largest tissue manufacturer, has undertaken a series of sweeping changes in recent months including the departures of two chief executive officers and five Canadian directors.

Swissair unit acquires control of MS McLeod

Swissair Associated Companies, the ancillary services subsidiary of the airline, said it had bought a majority stake in Australia's M.S. McLeod, the owner of Australia's largest duty-free store chain, Reuter reports from Znrich. SAC's chief executive, Mr Philippe Bruggisser *(pictured)*, said the group had paid between A$1.05 and A$1.07 per share for 91 per cent of McLeod, giving a total price of SFr28m (US$24.6m).

Mr Bruggisser said the strategic reason for buying McLeod was to create a base in the Asia-Pacific region to compensate for an expected decline in duty-free business in Europe.

He said Nuance, Swissair's duty-free unit, had already held preliminary talks with Singapore's Lion City company, which was also a bidder for McLeod, as was Allders of the UK.

Goldfields gets go-ahead for Pancontinental bid

Goldfields, the newly-formed company through which Renison Goldfields is making an estimated A$440m (US$314m) bid for Sydney-based Pancontinental Mining, said yesterday it had received approval from Australia's Foreign Investment Review Board for the takeover, writes Nikki Tait.

It also said that its amended "Part A" document – the contents of which have been the subject of a legal dispute between the bidder and the target company – is likely to be sent to Pancon shareholders next week.

A "Part A" document is the formal offer document, required under Australian takeover rules.

Israel's golden share

Israel's ministerial privatisation committee decided the government will keep a golden share in Zim Israel Navigation when the shipping line is sold to the public this year, Reuter reports from Jerusalem. A local public offering is planned for this year but no date or percentage of Zim to be sold off has been set.

Another Japanese bank expects loss

By Gerard Baker in Tokyo and agencies

Anotber Japanese bank – Hokkaido Takushoku – is expected to report a current loss for the financial year just ended when it presents its annual report next month.

The bank, which has total assets of Y10,200bn, is the third to prepare its shareholders for an unprecedented loss this year, following similar declarations by Sumitomo Bank and Nippon Trust Bank.

Three second-tier regional banks in western Japan have also said they would be reporting current losses.

Tbe Japanese press, in reports not denied by the bank, said Hokkaido Takushoku, one of the smaller commercial, or "city", banks, would announce a loss before tax and extraordinary items of between Y5bn ($58m) and Y10bn for the year ended Marcb 31.

The deficit is primarily the result of an increase in loan loss provisions. Hokkaido Takushoku has one of the highest proportions of non-performing loans of any Japanese bank and according to the reports, bas decided to write off at least Y100bn of such loans.

In tbe previous financial year it cleared Y120bn in bad loans, but was still able to report a small profit.

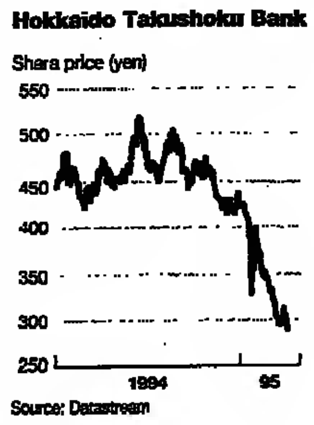
However, this year, gains on the bank's boldings of equities are likely to have been depressed by the slump in the Japanese stock market and the bank is therefore unlikely to have been able to offset all its bad debt charges by realising such gains.

The loss is the bank's first since 1955, when the then development institution became a commercial bank.

Several analysts said they saw more banks forecasting losses for the fiscal year just ended.

"Some long-term credit banks and second-tier regional banks wbicb bave been severely hurt by bad loans may have to post losses due to unexpected falls in stock prices," said Mr Yushiro Ikuyo, first vice-president at Smitb Barney International.

Hokkaido Takushoku will announce its official results, along with all other Japanese banks, late next month.



A confident ring from Philippine telecoms

The country's former monopoly is undaunted by liberalisation, writes Edward Luce

The Philippine Long Distance Telephone Company is undaunted hy the prospect of competition. The former telecommunications monopoly is expected to continue to maintain its dominant position, in spite of the government's decision this month to complete the liberalisation of the sector.

Under a radical scheme to promote competition, the government has awarded eight licences to newly-formed companies to provide international telephone services, and five mobile telepbone licences.

There is plenty to compete for: in the Philippines there are only 2.1 telephones for every 100 people.

But PLDT, one of the few Philippine companies to be listed on the New York Stock Exchange, believes it can stave off competition for some time to come.

"We are set to double our capacity in the next five years," says Mr Edgardo Del Fonso, vice-president. "We are in a strong enough position to beat off new competitors, most of whom are still only rivals on paper."

Talk has not always been so optimistic at PLDT's Manila headquarters. Until recently, its reputation for inefficiency and questionable practices during the Marcos dictatorship prevented the company from raising much-needed funds on foreign capital markets.

The lack of overseas capital hindered its expansion plans in the late 1980s, leaving the Philippines with the third lowest telephone density in Asia, after Indonesia and China.

Last year, the government won a protracted dispute to claim shares formerly held on behalf of Ferdinand Marcos, and with them the right to appoint six of 11 members to the PLDT board of directors.

However, PLDT will prove a formidable opponent in the new competitive environment, since the regulations will still leave it with some strong advantages.

To ensure a fair distribution of telephone lines in the liberalisation programme, PLDT's competitors have been awarded separate franchise areas, combining a mixture of lucrative and economically backward regions, where they are required to install a quota of fixed lines before 1996.

PLDT's franchise area, however, covers the entire country, guaranteeing two competitors for each region, one of which will always be PLDT.

Under a 1993 government order, PLDT is required to install 1m telephone lines by 1996 and a further 1.1m before 2001 to meet the official target of quadrupling the country's telephone density by 2000.

The scheme is known as the Zero Backlog programme, a reference perhaps to the company's inability to meet strong demand for new telephone lines in the late 1980s.

"PLDT has a huge advantage over its competitors because tbe government has not restricted its operations to new franchise areas.

"PLDT can only lose out if it fails to install the new lines, which is very unlikely," says Mr Matthew Sutherland, director of Asia Equity Securities in Manila.

PLDT's strengths include its strong credit rating; its recent partnership with AT&T, the US telecoms group, to supply telephone services to Subic Bay freeport; and the expected growth in revenues from fees as competitors pay for access to PLDT's network.

PLDT's net profits fell 5.9 per cent to 5.27bn pesos ($213m) in 1994.

However, the company is expected to post a strong earnings increase this year if the Philippine peso continues to depreciate.

The government's plans to lift the ban on metering for local calls is also expected to boost PLDT's income.

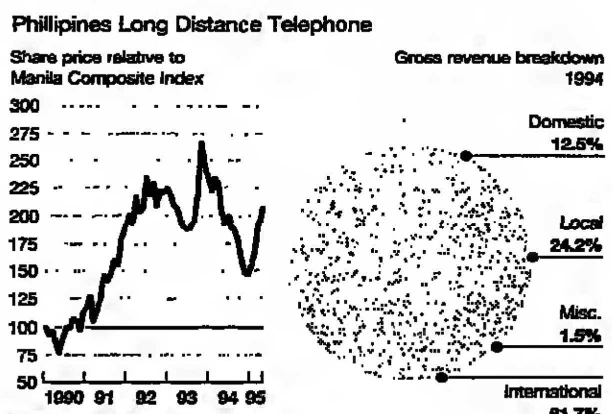
However, several of PLDT's competitors recently formed a consortium to build a rival $130m telephone "backbone" to PLDT's monopoly.

The consortium includes Smart Communications, a company recently set up by First Pacific of Hong Kong and Japan's Nippon Telegraph & Telephone Corp, and Globe Telecom, a joint venture between Ayala Corporation, the country's largest holding company, and Singapore Telecom International.

The emergence of an alternative network and the generous time limits accorded to new arrivals to install telepbone line quotas could eventually deprive PLDT of its near-monopoly.

However, PLDT sharpened its competitive edge with a second successful $250m eurobond issue last year. It has also announced that its Zero Backlog programme exceeded initial targets.

With plans for another $250m debt issue in New York later this year and the introduction of lucrative metering charges on local telephone calls, PLDT is well placed to take on the opposition.



Pegasus Gold offers to buy rest of Zapopan

By Nikki Tait in Sydney

Pegasus Gold, the US goldminer, yesterday announced a A$135m (US$98.9m) offer for the remaining 42 per cent of Zapopan, a listed Australian mining group wbose main asset is the Mount Todd goldmine in the Northern Territory, which it does not own.

The offer, which is conditional on the US company raising the necessary finance, is pitched at A$2 a share and values the Australian gronp's total equity at A$323.4m. Zapopan shares rose sharply on the announcement, closing 32 cents bigher at A$1.82.

Pegasus, which acquired a majority stake in Zapopan more than two years ago, said that the deal would bring it "one step closer to achieving an internationally diversified reserve base," and also help to rednce administrative expenses.

Zapopan said it would await a formal announcement of tbe bid before responding in detail.

Alitalia cuts loss to L288bn but debt continues to rise

By Andrew Hill in Milan

Alitalia, Italy's state-controlled airline, cut its net losses last year to L288bn ($167m) from L344hn in 1993, but its debt continned to rise.

The airline is going through one of the most turbulent periods in its history, as Mr Renato Riverso and Mr Roberto Schisano, respectively chairman and chief executive since last year, attempt to restructure the group.

Management and unions will meet tomorrow in an attempt to avert the most recent threat of strike action on Monday by all categories of Alitalia employees.

They are protesting at a three-year plan which envisages a 20 per cent cut in personnel costs and a 12 per cent cut in operational costs.

Alitalia did not quantify the impact of industrial action on the 1994 figures, although the airline incurred extraordinary restructuring costs of L125bn last year, as the number of staff was cut to 18,676 from 20,152 at the end of 1993.

Roberto Schisano: confident EU would approve an injection

Before extraordinary items, Alitalia lost L178bn in the calendar year 1994, compared with L431bn in 1993, restated for comparison following the merger between Ati, the domestic airline, and the main group. Sales rose L491bn to L7,165hn in 1994, and the number of passengers carried increased 3.8 per cent to 20.3m.

The group's debt rose to L3,059bn at the end of the year, L978bn higher than at the end of 1993, generating financial charges of some L300bn for 1994.

Alitalia said the size of the debt indicated the need for a capital injection, probably of at least L1,500bn.

IRI, the Italian state holding company which owns 86 per cent of Alitalia, has indicated that the airline will receive new capital only when it begins to break even.

In those circumstances, Mr Schisano is confident the European Commission will approve tha injection under its "one time, last time" rules for aid to state airlines.

Alitalia also confirmed it was poised to award an important contract for the purchase of 15 70-to-100-seater aircraft.

Qantas debt rating upgraded

By Nikki Tait

Standard & Poor's, the US credit rating agency, yesterday confirmed a triple-B-plns long-term rating for Qantas, the Australian airline which is set to be privatised later this year, and said it had revised the rating outlook from "negative" to "stable".

S&P attributed the improved status to the company's "progress in getting back on budget in its cost containment and route restructuring".

It said Qantas' competitive position in international markets supported the rating, as did its domestic network. But it warned that these advantages were partly offset by its "somewhat aggressive financial profile and the competitive nature of the industry".

Qantas' profits come almost equally from domestic and international operations, and S&P noted that "firm international growth" was anticipated, although it cautioned that as more carriers pushed into Asia, revenue improvement could be limited.

On the domestic front, S&P saw advances from better asset utilisation, changes to work practices, more effective yield management and a reduction in fixed costs.

The S&P move comes as Qantas is waiting to hear if Australia's Trade Practices Commission will permit co-operation with British Airways on Australia-Europe routes, which the carriers' say could mean cost-savings of A$90m annually.

Qantas is 75 per cent-owned by the federal government, with BA owning 25 per cent. The government is thought to ba seeking A$2bn (US$146m) from the flotation of its stake, whicb is likely to take place between June and August.

Competition ends BCE's 22-year run of payout rises

By Robert Gibbens in Montreal

Tough competition in telecommunications has ended a 22-year string of dividend increases from BCE, the holding company that controls Bell Canada and is Canada's biggest company.

BCE has said it would maintain its dividend rate this year but will not raise it in 1996 when the board meets to make a decision next November. The payout for 1995 is set at C$2.72 a share.

The steady rise in dividends has helped to make BCE Canada's most widely held stock. The shares are quoted in New York, London and Tokyo as well as Canadian exchanges.

Last month Bell Canada, the Ontario and Quebec telecommunications utility which provides the bulk of BCE's total business, announced plans to rednce its payroll by 10,000 people, or about 20 per cent, over the next two years. This would allow it to compete in the deregulated long distance and local markets.

"It would hs imprudent to increase Bell Canada's dividend during this transition period," said Mr Lynton Wilson, president of BCE.

On Tuesday BCE stock weakened 87 cents to C$42 in reaction to the freezing of the dividend. The 52-week high is C$50⅝.

Mr Wilson said BCE's ability to maintain its dividend in future will depend on the success of Bell Canada's transition plan.

In 1994 Bell Canada contributed C$720m (US$516m) to BCE's net profit of C$1.1bn. But Bell Canada'e results have weakened in the past two years because of the strong competitive forces.

It is seeking substantial increases in local service rates to offset reductions in long distance rates. The long distance market was deregulated in Canada three years ago and local services will be deregulated in the near future. BCE supports the principle of deregulation and free competition.

GM agrees to sell car rental unit

By Richard Waters in New York

General Motors reached agreement to sell its car rental business for a sum believed to be more than $1bn. The deal, announced late on Tuesday, comes three months after negotiations over an earlier sale fell apart, apparently over a dispute about price.

The biggest US motor manufacturer said the husiness, National Car Rental, was being purchased by a buy-out vehicle called NCR Acquisition Corp. This company is backed by an investor group led by Mr William Lobeck, a former head of Chrysler's car rental operations. It will continue to huy cars from GM, and to employ NCR's 6,400 staff, the carmaker said.

The sale continnes GM's efforts to focus resources on its automotive operations, and to rebuild liquidity. At the end of 1994, it had cash resources of just under $11bn.

Earlier on Tuesday, Standard & Poor's, the US rating agency, said it believed GM would be able to reach its goal of amassing $13bn-$15bn of cash ahead of the next downturn in the car and truck markets. But it warned that profitability at the company's core North American operations "could well deteriorate precipitously if the current economic recovery is truncated".

The agency affirmed its triple-B-plus rating on the company's senior debt and A-2 commercial paper rating.

GM, which first bought 45 per cent of NCR in 1988, considered winding the company up as recently as two years ago. It had taken a $744m charge at the end of 1992 to cover losses and a write-down of goodwill at the unit. But after hringing in turnround specialists Jay Alix & Associates in 1993, GM decided instead to restructure and continue the business.

The NCR franchise covers 5,000 locations in 132 countries, and includes Europcar in Europe, Tilden in Canada and Nippon in Japan.

Ford to restructure glass operation

By Richard Waters

Ford Motor said it is planning a restructuring of its North American glass-making business, a move that could result in it selling the operations to a US or foreign manufacturer.

Ford makes glass for most of the vehicles it produces in its 20 North America assembly plants.

Elsewhere in the world, the company uses local suppliers.

Ths company said it was considering selling an interest in the husiness to enable it to focus investment on its core automotive operations.

Other recent reorganisations at Ford subsidiaries suggest that the review of the glass business could lead to an outright sale.

The motor manufacturer sold majority stakes in two other businesses – a steel company and the New Holland tractor and machinery maker – before later disposing of its remaining interest in both to the new owners.

The glass business, which employs 4,100 in four plants in the US and Mexico, made 4.3m windscreens in 1993, along with 20.5m tempered glass parts for lights and sids windows.

Ford said it was in talks with a number of glass manufacturers, including some from Europe, although it refused to name them.

The potential purchasers are thought likely to include Saint-Gobain, the French manufacturer, and Pilkington, the UK company, which are Ford's main suppliers in Europe.

● Ford recorded a 3.4 per cent increase in vehicle sales in the US in March on the back of a record month for its light trucks.

The news cams after both Chrysler and General Motors had reported 9 per cent falls in sales.

Ford's light truck sales jumped by more than 16 per cent from a year before, to 195,009 units, making the company the biggest US truck manufacturer. Car sales fell 10 per cent to 158,511 units.

McCaws plan $1.1bn investment in Nextel

By Louise Kehoe in San Francisco

Mr Craig McCaw, founder of McCaw Cellular, the US telecoms group, and members of his family are to invest up to $1.1bn in stock of Nextel Communications, a US wireless communications company that is building a US-wide system that combines telephone, paging, data communications and dispatch services.

The investment comes at a critical time for Nextel, which has been seeking funds following the collapse last year of a deal with MCI, the US long-distance telephone company. The McCaw family deal will give Nextel an immediate cash injection of more than $300m.

The agreement is also a boost for Motorola, which supplies Nextel with technology and eqnipment. Motorola holds a minority stake in Nextel. In February, Motorola said sales of its integrated radio system equipment were weak hecause Nextel had slowed purchases.

Nextel said Mr McCaw would steer the "strategic direction" of ths company. Nextel would focus on providing enhanced wireless communications services to mobile business users, said Mr Morgan O'Brien, chairman of Nextel Communications.

This represents a significant change from Nextel's strategy of selling its new services to consumers as well as husinesses, in competition with cellular telephone services and paging services.

Mr McCaw said he was not interested in trying to replicate or compete with cellular or paging services, or the new "personal communications" services for which he has recently purchased several licences.

The McCaws' investment is subject to approval by Nextel's current shareholdsrs, and varions regulatory and third-party approvals, Nextel said.

Under the agreement, Mr McCaw and other members of his family will purchase Nextel shares from both Nextel and Motorola over a period of six years.

Mr McCaw will become a director of Nextel with control over a newly created operations committee.

Dutch publisher eyes EU fringes

Turkey may be Wolters Kluwer's next target, writes Ronald van de Krol

Most European-based multinational companies tend to be strong supporters of European integration, but there can be few more enthusiastic champions than Wolters Kluwer, the Dutch publishing group.

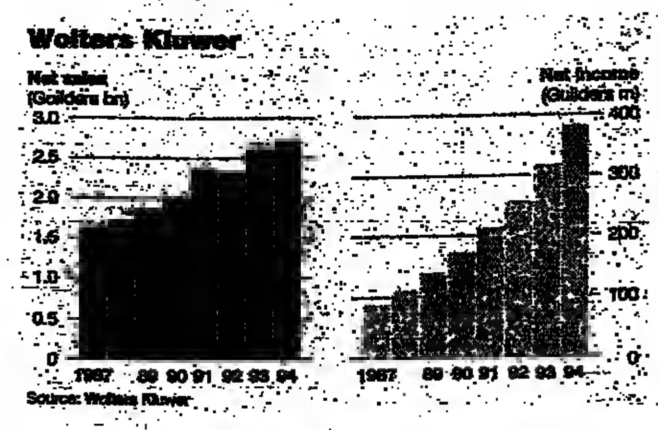
The company, specialists in tax, business and legal publishing, has enjoyed double-digit profit growth for years, thanks in part to its conscious expansion in countries which are about to join the EU.

Such countries experience a sharp rise in demand for detailed information on hoth national and European legislation, regulations and taxation.

Wolters Kluwer benefits not only from the EU's orderly expansion but also from the occasional European crisis. "It's not so bad if a bit of confusion arises every now and again because this creates demand for information," says Mr Cor Brakel, the group finance director who is due to become chairman on May 1 on the retirement of Mr Mijndert Ververs.

Mr Brakel says he will continue the strategy of trying to expand in step with – or in advance of – the EU, a tactic that has prompted a string of acquisitions in Scandinavia, Austria and eastern Europe in recent years and expanded the group's international reach to cover 17 countries. "We're cautiously looking around in Turkey," he says, noting that the country is an eventual candidate for admission to the EU.

Woltsrs Kluwer spent Fl 280m ($180m) on acquisitions last year, hnying np mainly small publishers in existing and prospective members of the EU as well as in the US. The purchases were financed from cash flow.



Several of the acquisitions were in Hungary, a country that perfectly fits the group's target profile. One of the new Hungarian subsidiaries is Novorg, a specialist in electronic publications on law, marketing and management. Wolters Kluwer also bought a 40 per cent stake in Invencio, which operates a database on Hungarian legislation.

Wolters Kluwer benefits not only from the EU's orderly expansion but also from the occasional European crisis

Mr Brakel believes the explosive growth of electronic publishing will be one of the biggest challenges. It accounts for up to 8 per cent of Wolters Klnwer'e annual turnover, whether in the form of CD-ROM, CDs or on-line services. "This could be 15 per cent, if not more, in the year 2000," Mr Brakel says.

Wolters Kluwer is spending about Fl 100m a year on product development in electronic publishing. For 1995 it has earmarked an additional Fl 15m to help speed up the digitalisation of information so that this can be disseminated electronically.

Growth, both in electronic and paper pnblishing, will come mainly from overseas. In 1987, when Wolters Kluwer was formed out of a merger prompted hy a hostile takeover bid from Elsevier, the Dutch pnblisher, the pnblishing group generated 70 per cent of its turnover at home and 30 per cent abroad. Eight years later, the ratio is nearly reversed, with foreign sales accounting for 65 per cent of the total and domestic sales 35 per cent.

Last year, net profit rose 20 per cent to Fl 382m, on turnover up 5 per cent at Fl 2.74bn. The company has forecast that turnover will rise to Fl 3.3bn-Fl 3.5bn in 1996, and Mr Brakel says it is possible turnover could grow to Fl 5bn around the turn of the century.

Wolters Kluwer faces a marksting challange with electronic publishing expected to generate an ever larger percentage of turnover. In its annual report, published this month, it notes the emergence of electronic networks, such as the Internet, might lead people to believe that information can be had cheaply. "The free flow of information is not a synonym for the flow of free information," the company notes.

Indeed, some of the group's disc-based products are not cheap. The cost of a CD-ROM disc sold by Wolters Kluwer can range from Fl 900 to Fl 3,000 each, depending on the type of information contained on it.

The price is determined not simply by the contents but by the software enabling customers to search quickly and selectively for information.

However, tha problem, from the electronic publisher's point of view, is that CD-ROM discs look identical to audio compact discs played by consumers on the CD players in their living rooms.

"Our discs could never be as cheap as the Fl 30 you spend for an opera on CD," Mr Brakel says.

Seita rises 12.4% to FFr658m

By John Ridding in Paris

Seita, the French tobacco and matches group which was privatised earlier this year, yesterday announced net profits of FFr658m ($136m) for 1994, a rise of 12.4 per cent on 1993.

The increase, in lins with forecasts before privatisation, was achieved on sales of FFr15.6bn, against FFr14.1bn the previous year. Operating profits at the company, which includes such brands as Gitanes and Gauloises, doubled to FFr1.08bn from FFr538m.

Seita struck an upbeat note about prospects, particularly concerning its international expansion and its "light" cigarettes. Reflecting its optimism, it announced a net dividend of FFr5.2 a share, compared with FFr3.48 the previous year.

According to Seita, the year saw a strong commercial performance, particularly for light cigarettes. Volumes increased in this sector, while tha company managed to increase its market share against tough competition from imports.

Concerning its traditional dark tobacco products, Seita said it had achieved a slight increase in the value of sales. The company added that it bad benefited from an increase in the price of tobacco products in France during 1994.

Over the past few years, tha French group has been pursuing a policy of international expansion. Seita's progress in this area was reflected in an average sales increase of 10.4 per cent in international markets. The performance was particularly strong in Germany and in sales of light tobacco products.

The increase in profits was achieved in spite of financial charges of FFr73m and a FFr21m exceptional cost relating to the restructuring of cigar production.

The shares were unchanged at FFr133.8, compared with a price of FFr129 at privatisation in February.

The issue was warmly received, drawing more than 1m individual investors and a subscription rate almost four times the number of shares on offer.

A group of core long-term investors was established at the time of privatisation to protect the group from predators. These cors shareholders include the banks Crédit Commercial de France and Société Générale; Française de Jeux, the lottery; and Bic, the pens and lighters company.

Klabin back in the black for 12 months

By Patrick McCurry

Indústrias Klabin, Brazil's largest integrated paper producer, returned to profitability last year, thanks to a recovery in world pulp prices, strong domestic demand and exchange rate gains following the appreciation of Brazil's Real currency against the US dollar.

Klabin posted after-tax consolidated profits of R$62m (US$68.8m) for the year ending December 31 1994, compared with a R$7.3m loss in 1993. Operating profit increased to R$87.2m from R$31.6m in 1993.

Gross sales totalled R$1.03bn in 1994, compared with R$971.8m in 1993.

Sales of pulp, paper and paper prodncts increased 2.3 per cent during the period to 1.17m tonnes. Growth was concentrated in bags, envelopes and cardboard boxes.

The company, which exports one-third of its production, said the Real's 15 per cent appreciation last year was offset by exchange rate gains on the company's long-term dollar debt, which stood at R$344.6m at the end of last year, and by highsr world commodity prices.

Last year, bleached eucalyptus pulp prices increased 80 per cent in Europe.

Net profit per 1,000 shares was R$95.22 compared with a loss of R$16.44 in 1993.

The company is proposing a dividand of R$13 per 1,000 shares.

The company launched a level one American depositary receipt programme last December, the first step towards listing on a US stock exchange.

Brazil car sector lifts Usiminas

By Patrick McCurry in São Paulo

Usiminas, Brazil's second biggest steel company, yesterday posted a 32 per cent increase in underlying profits for the year ending December 31 1994.

Profits after tax totalled R$291.5m (US$323.9m), compared with R$220.7m for 1993, after excluding an extraordinary fiscal credit.

Mr Breno Júlio Milton, market relations director, said the profits increase was due to a combination of higher domestic demand, particularly in Brazil's growing car industry, and an improved product mix.

The company, which was privatised in 1991, produced 4.28m tonnes of crude steel in 1994, 1.3 per cent up on 1993. Gross income was R$1.91bn during the period, compared with R$1.78bn in 1993.

Due to high local demand, the company reduced exports to 34 per cent of total sales last year from 45 per cent in 1993. Brazil's automotivs industry accounted for 45 per cent of sales.

Mr Milton said profitability had been helped by cutting production of semi-finished steel slabs and increasing production of more value-added products such as hot coils. Production of finished products increased 11 per cent in 1994.

The company began production of a galvanised steel line for export to the US and Europe. It aims to increase galvanised steel production to 200,000-250,000 tonnes in 1995 from 76,000 tonnes last year.

Usiminas, which was the first of Brazil's steel mills to be privatised, reduced its workforce by 4.5 per cent last year, to 10,448. The workforce was 13,400 when it was privatised.

Mr Milton said labour productivity in 1994 increased 7.7 per cent to 455 tonnes per worker. Net profit per million shares was R$130.6 and a dividend of R$51.9 per million shares was approved.

Dylex finds underwriter for C$40m issue

By Robert Gibbens

A US-controlled investment fund will underwrite a C$40m (US$28.8m) equity offer hy Dylex, Canada's biggest speciality clothing chain, giving it a nsw chance of survival. But the founding Posluns family, which has lost financial control, will step down from management.

River Road (Canada) will underwrite the direct rights offer of 16m shares at C$2.50 a share, to provide the chain with working capital. It owns 15 per cent of Dylex and will take up at least that proportion of the new issue. If it bought all the new issue its interest would rise to 40 per cent.

Dylex has closed 200 of its 730 stores. Its overall restructuring plan goes before four classes of creditors in Toronto on April 28. Dylex is under court protection. It has sweetened the restructuring plan to get debenture holders and landlords on its side.

Mr Wilfred Posluns, 63, chairman, will head a board committee that will name a new chief executive. Analysts said his son David, chief financial officer, and Mr Lionel Robins, president would leave Dylex.

Strong demand in US for SGL Carbon offer

By Antonia Sharpe

US investors showsd the greatest interest in the initial public offering by SGL Carbon, a subsidiary of Hoechst, the German chemicals group. The shares were priced yesterday at DM65, the bottom of the indicated DM55 to DM66 price range, raising DM310m ($225m).

"The US was a particularly strong market for the stock because US investors saw SGL as a global company which happens to be based in Germany, whereas European investors saw it as a German company," said an official at Kleinwort Bsnson, which arranged the deal with Dresdner Bank.

SGL is the world's leading producer of carbon and graphite and has about 20 per cent of the DM7bn worldwide market. Its main competitors are American, which facilitated the valuation process for the US.

More than half of the shares were placed outside Germany. Mr Robert Koehler, SGL'e chief executive, said that an even greater proportion could have been sold internationally, but that it was important for SGL to have an anchor in the German stock market, where its shares would be listed.

The offering was scaled back on Tuesday because Hoechst did not want to sell out too cheaply.

Mr Koehler said that while other IPOs had been cancelled recently because of poor market conditions, Hoechst had restructured the SGL deal in order to ensure that a successful market emerged in the shares after the launch. It was for this reason that Hoechst exercised its option not to participate at this time.

On Tuesday, the size of the offering was reduced to 5.6m shares from 7.2m. Of the revised amount, 2.9m shares were sold by SGL to raise new capital and just under 2m shares were sold by Péchiney, the French packaging and metals group, which had a stake of 11 per cent in SGL.

Ths rsmaining 700,000 shares, or 15 per cent of the total, will be sold by Hoechst in the form of a green shoe, or over-allotment option, which has to be exercised within 30 days.

After tha flotation, Hoechst will be left with a stake of about 70 per cent in SGL, hut ite long-term strategy is to turn it into a company that stands alone.

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COMPANY NEWS: UK

Brands Hatch sold for £15.5m to management

By Richard Gourley and John Griffiths

Brands Hatch Leisure, the private company that owns the famous motor racing venue and three other tracks in the UK, has been sold for £15.5m to a management team backed by Apax Partners, the venture capital group.

Miss Nicola Foulston, the 27-year-old daughter of Atlantic Computers' founder, the late Mr John Foulston, has been running the group for five years and will continne as managing director.

The new management team, that includes as chairman Mr Adrian Chambers, a former racing driver, hopes to add other leisure activities to the core motor racing business.

Miss Fonlston's father bought the Brands Hatch, Snetterton and Oulton Park tracks from BAT Industries in 1986. A fourth track, Cadwell Park, was added the next year shortly before Mr Foulston was killed in a motor racing accident at Silverstone.

His oldest danghter took over as commercial director at Brands Hatch Leisure in 1989, shortly before the collapse of Atlantic Compntera which brought down the conglomerate British & Commonwealth.

Tony Andrews

Nicola Foulston and Jon Moulton: a forceful approach

Likened to a "22-year-old Maggie Thatcher" by those who disputed her firm views on how motor sport should be run, she quickly made clear to what she described as "the old blazers and cravats brigade" that she intended to put motor racing on to a more commercial basis.

But her forceful approach may have paid dividends. Total paid spectator attendance at the four circuits last year broke through the 1m mark for the first time in many years.

Yesterday's deal allows the Foulston family's Jersey trusts, which owned Brands Hatch Leisure, to diversify. It also gives Miss Foulston an equity stake of 10 per cent in the new group. She hopes the new company, The Brands Hatch Leisure Group, will be floated within a few years.

The company, which had an erratic profits record during the early 1990s, last year generated about £1m at the operating level.

Mr Jon Moulton, partner in Apax, said the group would benefit from a couple of years out of the public gaze.

Restructuring helps Aegis achieve £20m

By Christopher Price

Restructuring benefits helped Aegis, Europe's biggest media-buying and planning group, turn round from pre-tax losses of £18.1m into profits of £20.1m ($32.2m) in 1994.

However the group, which has undergone substantial reorganisation and refinancing in the past two years, made further provisions for 1995, with £11.4m being set aside mainly because of the relocation of the group's headquarters from Paris to London. Aegis had made provisions of £33.8m in 1993.

The group is also taking a credit in its accounts of £4.1m following the successful appeal against a fine imposed by the French competition authorities, which was taken as a provision in 1993.

Although the authorities are continuing to pursue the action, Aegis said it was confident of a successful outcome. The profit figure also benefited from the halving of interest charges to £8.2m.

Underlying pre-tax profits increased 25 per cent to £27.4m, although the figure included a £3.3m non-recurring item from the French contribution.

Increased billings, fuelled by a recovery in the German and UK advertising markets, helped turnover rise 8 per cent to £2.97bn. But underlying operating profits slipped 9 per cent to £30.5m, a decline the company attributed to the income earned in France up to April 1993 prior to the introduction of the Loi Sapin – the French rule which changed the structure of the French advertising market and severely hit Aegis's revenues.

Billings in Germany, the group's largest market, rose 12 per cent to $1.76bn (£1.1bn), while the UK gained 27 per cent to $940m.

Sales growth in France was stagnant at $1.36bn, with margins remaining under pressure.

Spain, also a tough environment, declined 5 per cent to $630m, with the company being forced into making further provisions of £2.3m for bad debts at its Madrid subsidiary.

Mr Davis said that the group was now focusing on strengthening its organisational capability with a view to improving the service it offered. "The market is changing, and we want to change with it."

LEX COMMENT

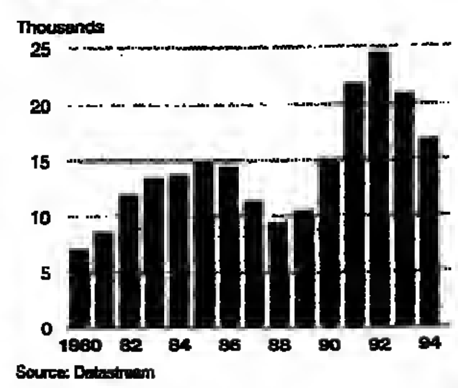
Insolvency proposals

Insolvency law is an unlikely candidate for politicisation, but there has been a growing sense that banks are needlessly liquidating businesses. The vast majority of corporate failures offer no scope whatsoever for resuscitation. But the UK has clearly lacked a midway point between costly bank restructurings and receivership. Administration worked well for Baring Brothers, but is far too complex and expensive to offer salvation for the small businessman. Some solution is necessary before the next economic downswing.

The government's proposals for revamping voluntary arrangements look a useful instrument to add to the corporate operating theatre. Managements of ailing companies would get 28 days to secure rescue packages without facing action from creditors. This should improve the chances of remaining a going concern.

There are potential hazards. Controls are needed, given that the management that nearly broke a business would remain in charge. Suppliers and customers might not be prepared to deal with high risk businesses – that would damage their value. And bankers need to feel the value of their loans is protected or they will be less willing to lend money to small businesses. But the government plans safeguards against management abuse. Also, before the technique could be used, an insolvency practitioner would have to judge the patient has a viable future. All in all, the proposals are a sensible step forward.

UK insolvencies



Source: Datastream

Merrydown to import Two Dogs

Merrydown believes British drinkers will lap up Two Dogs, an Australian fermented lemon juice as strong as beer. The UK drinks gronp best known for its cider said it was negotiating to import the prodnct from the Two Dogs Lemonade Company.

Originally concocted to help mop np a bumper lemon harvest, it has become a big hit in Australia since its launch last year. According to one Australian drinker, it tastes like bitter lemon and seems to be a soft drink "until yon fall over." It is called TNT when served with tequila because "it blows you away."

Two Dogs expects to sell some 18m bottles this year. The drink has attracted some protest from the anti-alcohol lobby in Australia. It says calling Two Dogs a lemonade encourages under-age drinking.

Gehe hits at AAH forecast

By Peter Pearse

Gehe, the German pharmaceuticals wholesaler, yesterday fired the latest salvo in its hostile £377.4m bid for AAH, the pharmaceuticals retailer and wholesaler, attacking its target for its "dismal" profits forecast, its wholesaling margins and its cash absorption.

However, analysts said the letter, urging AAH shareholders to accept Gehe's 420p offer, did not add much to the debate. The shares were unchanged at 448p.

In the letter, Mr Dieter Kämmerer, Gehe chairman, said *AAH's profits forecast* underlined its existing problems and revealed new ones. He suggested that stripping ont figures from the computer systems and the soaps and toiletries divisions gave a "more flattering impression" to the main healthcare businesses.

The letter stated that the wholesaling margins were little changed in the year to March 1994 from five years previously. Further, Gehe claimed that wholesaling margins had fallen in the year just ended.

However, an independent analyst yesterday suggested that Gehe's margin calculation was faulty, based as it was on a turnover figure – albeit from AAH – that included the gross value of Glaxo turnover.

Finally, Gehe's letter questioned how AAH paid its £56.3m ordinary dividend bill and how AAH's net interest was forecast to be unchanged at £5.3m in 1994-95 in spite of the £47.6m cash sale of the builders supplies division.

AAH said: "This is yet another smokescreen to cover the inadequacy of Gehe's offer."

Cordiant sells US offshoot

By Christopher Price

Cordiant, the former Saatchi & Saatchi advertising group, yesterday announced the sale of a US subsidiary for $40m (£25m).

It said the sale of Campbell Mithun Esty to Interpublic, the US advartising agency, was part of its strategy to concentrate its resources on Saatch & Saatchi Advertising and Bates, its two global advertising networks.

CME is based in Minneapolis, althongh some other parts of tha agency – such as the New York office and the European operations – have been merged within the Cordiant organisation. The UK division of CME is also being retained to operate as a stand-alone operation.

CME's net revenues in 1994 were $52m, with operating profits of $7.4m.

Under FRS 3 rules, the sale will result in a loss on disposal of $13m because of the write-off of goodwill that had previously been written off to shareholders' funds. However, these will increase by $24m following the transaction.

Cordiant said the proceeds from the deal would be used to pay off group debts, which stood at £118m in December 1994.

Mr Charlie Scott, chief executive and acting chairman, said: "Whilst CME is an excellent advertising agency in its own right, its development is not in line with the strategic direction that Cordiant is now following."

Hewden Stuart rises 82%

By Geoff Dyer

Hewden-Stuart, the UK's biggest independent plant hire company, said higher volumes across all its businesses were responsible for the 82 per cent increase in annual pre-tax profits from £19.1m to £34.8m ($55.7m).

Turnover in the year to January 31 was 30 per cent ahead at £260m (£200m), althongh hire rates had only marginally improved.

The figures were ahead of analysts' expectations and the shares rose 6p to 169p.

Sir Matthew Goodwin, the founder chairman who retires from the group after the June annual meeting, said the results were "first rate" and justified the large capital expenditure over the last two years.

Sir Matthew, a former deputy chairman of the Scottish Conservative Party, renewed his criticism of British industry for not investing enough. "I cannot see why industry is not spending more money on putting down fresh capacity. If we do not watch out we are going to have problems", he said.

Sir Matthew said the uncertain conditions in the construction and housing markets were benefiting Hewden because of the reluctance of construction companies to spend money on their own new machinery.

The strongest improvement came from the tower crane division, with the mobile accommodation business the worst performer.

Wyser-Pratte likely to force Northern EGM

By Michael Smith

Northern Electric, the regional power company, will have to call an extraordinary general meeting within seven weeks if, as expected, Wyser-Pratte confirms shortly that it has gathered enough support to force a meeting.

Wyser-Pratte, a US arbitrage firm, plans to nominate an additional director and to force Northern Electric to consider an offer from Trafalgar House, the conglomerate whose bid for the power company lapsed last month.

Northern Electric has 21 days to call the extraordinary meeting after Wyser-Pratte confirms its support, and another 28 days to hold it.

COMPANY NEWS: UK

Continental car growth behind Laird advance

By Tim Burt

Laird Group, the motor components and building products manufacturer, reported a 25 per cent increase in profits following a sharp rise in European vehicle production.

The company, which last November surprised the market by launching a £68m ($109m) rights issue, exceeded expectations with pre-tax profits of £47.7m (£38.2m) for the year to December 31.

Mr Ian Arnott, appointed chief executive last October, said the improvement had been fuelled by increased output by Europe's leading car makers.

"Production is up by about 7 per cent in Germany and more in France and Spain, and we're benefiting from continuing growth."

That opturn helped lift operating profits from £44.8m to £54.2m on turnover ahead 17.5 per cent at £733.9m (£624.4m).

Mr Arnott said it was a creditable performance given that the group had endured large raw material price increases, particularly for aluminium and PVC.

Of the group's three divisions, industrial products reported the sharpest growth with profits of £23m (£15.6m), as buoyant component demand from companies such as Renault pushed sales up to £251.6m (£192.9m).

Growth in sealing systems, however, was flatter despite continued rationalisation and cost reductions. Its profits – boosted in 1993 by a £5.1m patent litigation settlement – fell from £19.1m to £18.5m.

Stronger US sales, meanwhile, helped lift profits in the service industries division from £10.1m to £12.7m, although they were held back by reorganisation and start-up costs at Fullarton, the building products subsidiary which opened its first North American plant last year.

Exports help lift David Brown

By Tim Burt

David Brown, the specialist engineering group, shrugged off sluggish UK demand with a buoyant export performance and a 15 per cent increase in pre-tax profits for last year.

Although the group warned that margins remained tight, a 72 per cent rise in exports helped lift the pre-tax surplus from £10.8m to £12.51m ($20m) for the 12 months ended February 3. Shares rose 12p to 208p.

"Growth has been constrained by margin pressure in all our businesses, but we've seen exports rise strongly", said Mr Christopher Cook, joint chief executive.

Group margins fell from 12.8 per cent to 10.7 per cent.

The profits were dented by £6.7m of restructuring, dominated by 300 job losses at Hamworthy, the hydraulics and transmissions business acquired for £11.1m in November 1993.

Its first full-year contribution was also hampered by design problems that interrupted a big order and bad debts following the collapse of Lancer Boss, the lift-truck manufacturer.

The vehicle transmissions division – including Hamworthy's transmissions business – was further constrained by weak demand for UK rail products ahead of the forthcoming rail privatisation, countered by rising overseas sales.

Strong exports also offset disappointing UK sales in the pumps and special products divisions, while Radicon – the group's geared motors business – saw operating margins fall to 3 per cent on flat turnover of £21.6m (£20.8m).

Some £1.5m has been set aside for further restructuring.

Opportune moment for a link

Charles Schwab has an ideal vehicle in Sharelink, reports **Motoko Rich**

When Sharelink Investment Services, the telephone share dealing service, disclosed more than a week ago that it was in talks with a bidder, its shares jumped 17 per cent to 209p.

But, for the previous six months they had been languishing well below 200p, making the company a prime target for takeover. Charles Schwab, the US discount broker, is offering a price that is still 15p below the flotation level of 250p.

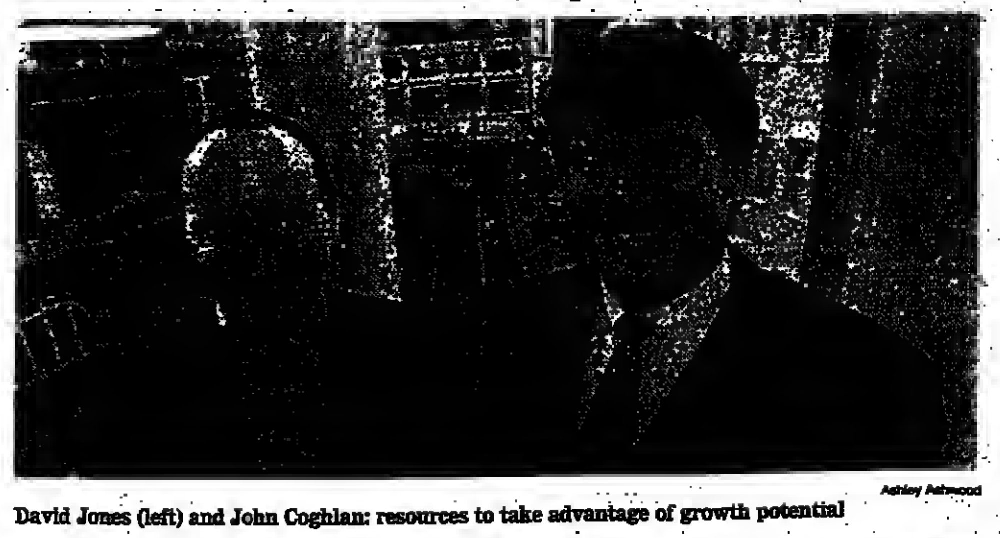
"Sharelink's share price makes it a cheap alternative to establishing a home grown operation," said one analyst.

For Schwab, the Birmingham-based company is an ideal vehicle for expanding its activities in the UK. In the US, San Francisco-based Schwab runs a more sophisticated version of Sharelink's operations, through 208 branches.

Sharelink, on the other hand, has just the one office in Birmingham. And while Schwab is capitalised at $2.8bn (£1.75bn), Sharelink's value peaked at £73.1m in November 1993 – about five months after its flotation – and plummeted to £23.3m recently, when the shares hit a low of 138p.

After reporting maiden pre-tax profits of £6.19m (£3.12m) for the year to March 1994, the company foundered when the UK stock market lost its shine. The private investors who are its bread and butter stayed away.

This led to last September's profits warning – foreshadowing the announcement of interim losses of £468,000, plus a further caution on trading – in contrast to the £3.68m profit made in the same period of 1993.



Ashley Ashwood

David Jones (left) and John Coghlan: resources to take advantage of growth potential

The man who had to sound the warning notes was Mr David Jones, founder, chief executive and former Stock Exchange board member. He holds about 15 per cent of the company.

Mr Jones is now on the Bank of England's advisory board overseeing the development of Crest, the paperless share settlement system, which he argues presents a big opportunity for Sharelink. The advent of that system, as well as rolling five-day settlements, makes the idea of working with a more experienced parent company attractive.

Alone, the problem for the company was that it lacked the resources to exploit such developments, especially as it is so exposed to drops in the volume of trading. "It is very difficult to run a long-term high growth strategy against volume fluctuations of the relative magnitude experienced in 1994," Mr Jones said.

It is believed Sharelink spent £1m on development last year, which would have strained the cash-strapped company.

Hence Mr Jones's enthusiasm for the Schwab deal. "We do not have the financial strength of Schwab," he said yesterday. He also stands to make about £5.5m personally from the cash offer.

Mr Jones points to the growth potential in the private investor market. "We are already actively dealing with investors who are matured, but there is an opportunity to extend equity ownership to people who don't own shares at the moment."

Sharelink's vulnerability to swings in market volumes means that Schwab has come in at a prime time. "Anyone can see that the share price is down now because it is a volatile business," said one analyst. "So, if you are looking for acquisitions, you can offer a reasonable premium to the current price and get into a business that could be making substantial profits in six to 12 months time."

Schwab believes the acquisition will not only prove profitable in the UK, but will serve as the launch of its global strategy. "To some extent, this is a new chapter for Schwab in terms of its commitment to global investors," said Mr John Coghlan, executive vice-president. "Hopefully, it will be a very lengthy book."

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aegis	Yr to Dec 31	2,979	(2,748)	20.1♠	(18.1L♠)	1.6	(12.1L)	nil	-	nil	nil	nil
Bleckleys	Yr to Dec 31	10.9	(9.22)	0.341	(0.419)	0.91	(1.04)	0.4	July 3	0.5	0.8	1
City Centre Rest	Yr to Dec 31	103.4	(95.2)	14.1	(12.8)	5.01	(4.52)	1.55	June 8	1.33	2	1.78
Clydeport	Yr to Dec 31	15.9	(11.8)	5.62♥	(2.45)	14.17	(5.83)	1	May 31	-	1	-
Co-operative Bank	53 weeks to Jan 14	-	(-)	27.5	(17.8)	2.03	(0.91)	0.5	May 31	-	0.5	-
David Brown	Yr to Feb 3	125.7	(88.5)	12.5	(10.8)	15.1	(14.5)	4.85	July 3	4.3	6.9	6.4
Dolphin Packaging	Yr to Dec 31	28.9	(26.5)	2.24	(2.46)	7.1	(7.72)	2.8	May 26	2.8	4.5	4.5
Howden-Stuart	Yr to Dec 31	260	(200)	34.8	(19.1)	10.15	(6.77)	2.5	July 12	2.15	3.325	2.9
Laird	Yr to Dec 31	733.9	(624.4)	47.7	(38.2)	26.3	(20.7)	6.9†	June 9	6.5	11.3	10.7
Rugby Estates	Yr to Dec 31	10.2	(9.29)	2.44	(2.01♥)	11.4	(26.38)	1.38	June 8	-	2.07	-
Sherwood	Yr to Dec 31	166.1	(152.6)	15.1	(18.5)	7.9	(10.7)	2.05	May 25	1.09	3.2	2.9

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
TR Far East Income	6 mths to Feb 28	148.9	(198.2)	1.86	(1.54)	3.95	(3.31)	1.5†☆	July 3	1.4	-	5.5

Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ☆Second interim, makes 3p to date; excludes special of 1.5p.

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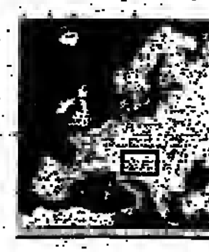
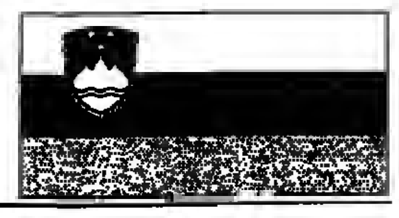


FINANCIAL TIMES SURVEY

REPUBLIC OF SLOVENIA



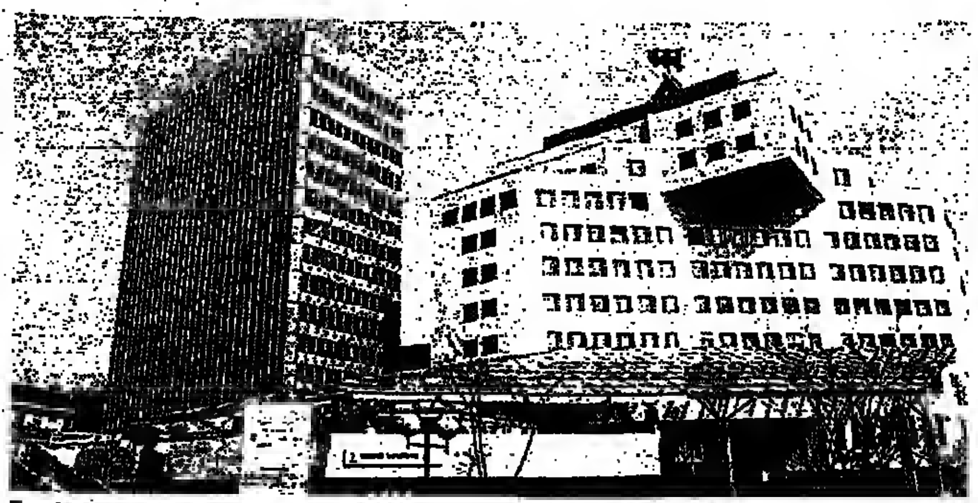
Thursday April 6 1995

A bitter dispute with Italy over property rights has brought home to Slovenes that the independence they gained from former Yugoslavia in 1991 has still left them vulnerable to pressure from bigger and more powerful neighbours.

Such a development was hardly imaginable in July 1991 when Slovenia broke away from Yugoslavia after a 10-day war and quickly set itself up as a sovereign state of 2m people. Then, the main aim was to anchor the new state as firmly and rapidly as possible in the European Union and Nato.

From an economic and trade perspective it has already happened. This historically export-orientated country has made up for the loss of markets in former Yugoslavia by shifting its trade to markets in the European Union. The gross domestic product (GDP) grew by more than 5 per cent last year and similar export and service industry-led growth is expected for 1995.

Last year, the EU accounted for more than 60 per cent of the country's $14bn commodity trade, with Germany alone accounting for more than 30 per cent. The great majority of tourists who spent over $1bn in the country's spas, ski resorts, private homes and seaside hotels come from neighbouring Italy and Austria, southern Germany and Croatia.



Two faces of Ljubljana: The Slovene constitution prohibits the sale of land to foreigners, a condition which is incompatible with membership of the European Union

Pictures: Hutchison Library

The loss of former Yugoslav markets, combined with the lure of closer integration into the EU, inspired the newly independent state to draw up ambitious infrastructure development plans. An investment of more than $2.5bn in new transport infrastructure over the next decade will boost the domestic economy and greatly enhance Slovenia's strategic value as a transit country.

New motorways and modernised railways will improve access to the port of Koper, one of the most convenient outlets for central European exports to the Mediterranean area, Africa and the Middle East. The highways converging on the capital, Ljubljana, will form part of the fifth European motorway corridor which will eventually run south of the Alps all the way from Barcelona in Spain to Kiev in the Ukraine.

Land row leaves scars

Slovenes' expectations of a politically trouble-free entry into the EU have been shaken by Rome, report **Anthony Robinson** and **Laura Silber**

But Slovenes' original expectations of a *politically* trouble-free entry into the EU were badly shaken by the advent of the Berlusconi government in Rome. Suddenly, Slovenia found itself at the receiving end of a more nationalistic Italian foreign policy line which reflected the inclusion of neo-fascists in government for the first time since the fall of Mussolini.

The dispute has a long historical tail. Many ethnic Italians had lived for centuries in Istria and Dalmatia which were ruled by Venice before being absorbed into the Hapsburg empire in the 18th century. Italy subsequently replaced Austrian rule over the port cities of Triesta and Fiume (now the Croatian port of Rijeka) and the surrounding areas as its prize for changing to the ultimately victorious allied side during the first world war.

Fascist troops subsequently occupied the Dalmatian coast and large parts of Slovenia during the second world war. They were then pushed out by Tito's communist partisans who briefly occupied Trieste at the end of the war before retreating under strong allied pressure.

As a result of this inglorious chapter of Italian history, thousands of ethnic Italians left their homes and properties in areas which were included in Yugoslavia after the war. But the dispute over the future of what became known as Zone A, which included the city of Trieste, and the much larger Zone B was also settled in a way which left more than 100,000 ethnic Slovenes under Italian rule.

The dispute over borders, property and minority rights simmered for decades until both sides agreed to bury the hatchet.

In 1975, Italy and Yugoslavia signed the Osimo treaty which agreed compensation for property losses and all other outstanding issues.

Following the dissolution of Yugoslavia, however, Italy decided to raise the property questioo again with newly-independent Slovenia. Old wounds were re-opened when neo-fascists in the subsequent Berlusconi government heightened the emotional level of the dispute.

The Slovene constitution prohibits the sale of land to foreigners, a condition which is incompatible with membership of the EU. Rome, which sought a *Slovene concession to allow* former Italian owners preferential treatment, seized on this constitutional provision to block the opening of negotiations with Brussels on an Association Agreement between Slovenia and the EU.

The collapse of the Berlusconi government led to a significant change in atmosphere after Mrs Susanna Agnelli took charge of the Foreign Ministry. On its side, the Slovene government appointed Mr Zoran Thaler, an able young polyglot politician as its new foreign minister.

On March 6, Italy formally withdrew its opposition to the start of Association talks and the Slovene government undertook to start the process for amending the constitution.

The mutual concession showed that with goodwill on both sides agreement was possible. But the dispute has left painful scars.

"Had it not been for this dispute, Italy not Germany would probably have become Slovenia's biggest trading partner and the natural counter-weight to what could otherwise be an overwhelmingly Germanic influence on the country," says Mr Joze Menzinger, Slovenia's most influential political economist.

But Slovenia is also concerned at the way in which other EU countries failed to protest strongly enough against what is seen in Slovenia as the "Hellenisation" of Italian foreign policy.

Italy's attempt to use the EU as an instrument in its own domestic dispute with Slovenia, as Greece exploited its EU membership to put pressure on Macedonia, disturbs Mr Janez Drnovsek, the prime minister and Mr Milan Kucan, the president.

"We were surprised by the EU's collective attitude to the dispute which brings into question the value of EU membership and the kind of role small states can expect to play inside an expanded EU," Mr Drnovsek says.

He questions the wisdom of an EU political leadership which could side with one large member over a territorial dispute that could set a precedent for any number of similar claims, not least by Germany whose citizens lost property in Sudetenland, Pomerania and Prussia as a result of the second world war.

The three-party coalition government remains committed to EU entry and the economic and constitutional changes required to prepare what is by far the richest of the former communist states seeking integration into Europe's main economic and security structures.

But the row with Italy, which has provided easy ammunition for populist tub-thumping among the more fiercely nationalistic elements in Ljubljana's fractious 90-seat parliament, has increased awareness of the costs involved in EU membership, and the potential dangers facing a small state anxious to strengthen its sovereignty and independence.

There are no regrets about seceding from Yugoslavia. But Slovenes, with their productive factories and efficient exporters, will feel a lot better when the fighting ends in Bosnia and the territorial and other disputes between Serbia and Croatia find an acceptable solution.

Slovenia's priority remains integration into Europe. But it also wants to use a secure base in Europe to help the economic reconstruction of its war-torn southern neighbours on a new basis of private enterprise and political sovereignty.

The economy: **Anthony Robinson** examines underlying problems

Progress depends on restraint

Slovenia, with its a small, open economy and proximity to Germany, industrial northern Italy and central Europe, depends heavily on exports, and hence on the economic health of its more powerful neighbours.

Over the past 18 months, the recovery in Germany and the ability of Italian entrepreneurs to prosper despite a debilitating political crisis, have helped to ensure strong, export-led growth.

Germany alone accounts for well over 30 per cent of Slovenia's exports, and 85 per cent of all commodity exports go to five countries – Germany, Italy, Croatia, France and Austria.

Imports have also been rising strongly, but the combined effect of higher exports and growing tourism and other service revenues has led to an almost embarrassing rise in foreign exchange reserves to nearly $3bn, accompanied by strong upward pressure on the Slovene tolar.

The economy has been growing ever since the post-independence recession, triggered by collapse of the former Yugoslav market, bottomed out in mid-1993. Gross domestic product (GDP) rose by 5 per cent last year, and will probably increase by a similar amount this year.

Exports rose from $6.08bn in 1993 to $6.81bn last year. But the 6.4 per cent export-led rise in industrial production, coupled with an 8 per cent rise in real incomes, sucked in a matching voluma of imports, which rose to $7.25m from $6.5bn in 1993.

Last year, Slovenia's trade deficit widened slightly to $440m, from $418m in 1993, but this was outweighed by another good year for tourism and rising volumes of transit traffic. Higher tourism receipts contributed around $1bn to last year's $1.68bn income from services. Service income helped to push the overall current account surplus up to $478m from $150m in 1993.

Whether Slovenia is able to sustain its export-led growth without some form of income restraint and further structural reforms is open to question, however. For behind the surface picture of a strongly growing economy with rising reserves and a strong currency lie substantial unresolved problems.

Inflation, which fell sharply in 1992, declined only marginally from 22.9 per cent in 1993 to 18.3 per cent last year. Structural reforms, including privatisation and reform of the banking system, are taking longer than expected.

Government expenditure and taxation remain stubbornly high at around 49 per cent of GDP, against a target of 43 per cent.

Above all, last year's 8 per cent rise in real incomes, coupled with appreciation of the exchange rate against the strong D-Mark, as well as the weak lira, is placing increasing strain on Slovenia's competitiveness and putting pressure on exporters who remain the backbone of the economy.

The problems are all linked and have deep roots. For although Slovenia was far and away the most prosperous and economically advanced of the former Yugoslav republics, it was organised on a variant of the Yugoslav "self-management" system, with unclear ownership of assets and an incestuous relationship between banks and enterprises.

Most 'socially-owned' enterprises are expected to be privatised by the end of this year

The attempt to privatise the economy ran into resistance. This led to the adoption in most cases of privatisation, through a form of management or worker buy-out. In effect, privatisation Slovene-style means that workers and managers generally retain ownership through the issue of free or discounted shares in their enterprise.

The big difference – and it has already led to a sharp rise in unemployment to over 9 per cent of the labour force and other moves to cut costs and raise productivity – is that post-privatisation enterprises are subject to the hard budget restraints typical among enterprises working in market economies.

Most "socially-owned" enterprises are expected to be privatised by the end of this year, using variants of the free or discounted share-offer formula. But in the meantime enterprise managers have been unable to resist demands for higher wages, and have been unwilling to invest.

The danger, warns Mr Joze Menzinger, of the independent Economics Institute of Ljubljana University, is that higher wages, coupled with high government spending, will absorb resources needed for investment. This could lead to further decapitalisation of enterprises, loss of competitiveness and a further squeeze on employment.

Mr Marko Voljc, chairman of Ljubljanska Banka, the country's biggest bank, echoes these fears: "It is paradoxical that the economy is growing by 5 per cent without a rise in investment, especially as there was so little investment over the last 10 years. This must mean that the capital stock of Slovene enterprises is badly run down."

But Mr Voljc, whose bank is bogged down by the unexpectedly long process of bank "rehabilitation" and squeezed by the corrosive effect of the tolar's strength compared with the high level of domestic inflation, believes a new round of investment will start once the privatisation process is finished.

"Looking ahead, we are bracing ourselves for a flood of privatised companies looking for five-year money to re-build factories and invest in modern plant," he says.

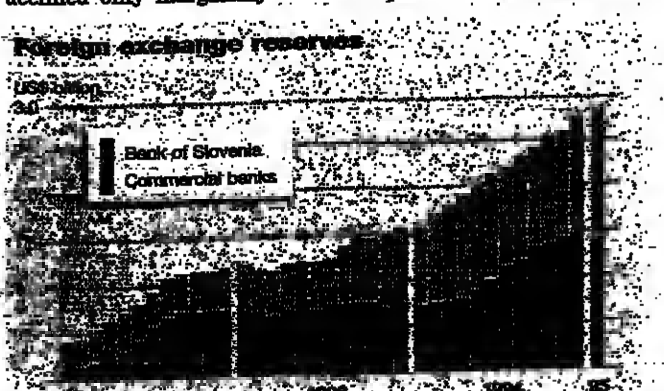
If and when that happens, the banks will finally come into their own as a source of capital for enterprises, and the tolar will probably lose much of the strength which is currently eroding the competitivity and profits of both exporters and the banking system.

For higher investment will inevitably be translated into stronger demand for imported capital equipment, which will lead to a further increase in the trade deficit, reducing upward pressure on the tolar.

Given the high level of foreign reserves and low foreign indebtedness, a period of investment-led growth could lead to the best possible outcome for Slovenia's transition to a market economy. It would raise the long-term competitiveness of the economy and reduce the inflationary pressures caused by the build-up of foreign reserves.

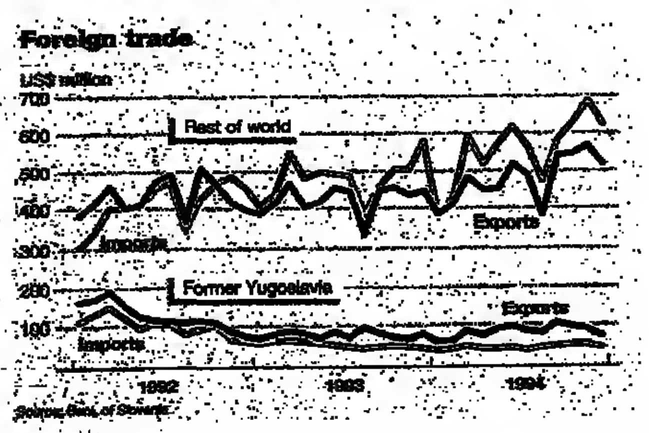
But such an outcome depends crucially on the willingness of newly privatised enterprises to invest for the future, rather than pay higher salaries – and on restraint in government spending in the face of demands for higher pensions and other social transfers.

Foreign exchange reserves



Source: Bank of Slovenia

Foreign trade



Source: Bank of Slovenia

Talks on Yugoslav debt

Slovenia will shortly resume negotiations with foreign commercial banks aimed at seeking an agreement on what share it will assume of former Yugoslav debt, write Laura Silber and Gavin Gray.

Once agreement is reached, western banks will be more disposed to opening new credit lines to Slovenia, but the Slovene government is not willing to resolve the dispute at any price.

The dispute concerns $4.2bn of loans to former Yugoslavia, which were rescheduled in 1988. Deciding who should pay what is complicated because $1bn of the loans, the so-called non-allocated debt, went directly to the moribund Yugoslav federation rather than the individual republics.

What frustrates the Slovenes is that under a rescheduling agreement signed three years before the country's violent disintegration, all six republics separately guaranteed the whole amount. This means that each new republic remains liable for repayment of the whole debt.

Slovene politicians and bankers grumble that western creditors are putting pressure on them to assume more than *their fair share of the* burden because they are the only ones who can afford to pay. According to a formula used by the World Bank for its loans to former Yugoslavia, Slovenia is responsible for 16 per cent of non-allocated debt. The Slovene negotiators want to apply the same formula for the commercial bank debt.

When negotiations first started two years ago, Slovenia offered to pay $580mn. The International Creditors' Commission (ICC), led by Chemical Bank, first sought $1.2bn from Ljubljana, but then indicated they would settle for about $900mn.

The creditors believe that Slovenia could easily service this debt. Slovene officials admit that it is not a question of ability to pay. But in January last year, Slovenia halted payments to the commercial banks and sent the funds instead to a fiduciary account at Dresdner Bank in Luxembonrg, which now has amounts to $98mn.

Mr France Arhar, governor of Slovenia's central bank, cites this as evidence of the country's willingness to pay, but this measure falls far short of the creditors' demands, because Slovenia remains in control of the funds.

Slovenia has come close to an agreement with the banks several times, but with strong reserves and foreign capital already entering the country, the benefits of improved access to foreign finance must be balanced against the costs.

Slovene negotiators realise that they will face harsh criticism whatever the outcome.

■ BANKING AND FINANCE

Obstacles to reforms

The timetabla for the "rehabilitation" of Slovenia's "socially owned" banks as a prelude to privatisation has slipped badly, leading to growing frustration in banking circles, writes Antbony Robinson.

The government's so-called "bank rehabilitation" programme was drawn up three years ago with the creation of a Bank Rehabilitation Agency and the placemant of Mr Marko Voljc, an experienced international banker, at the helm of Slovenia's largest bank, Ljubljanska Banka, subsequently renamed as Nova Ljubljanska Banka.

Tha overall aim was to cleanse inharited bad debts from the balance sheets of the "socially owned" banks, restructure to make them more customer-orientated, and then re-capitalise them through the issuance of D-Mark-denominated, interest-bearing bonds.

Once fully "rehabilitated" the final stage will ba to complete the process by privatisation.

A key element in the rehabilitation process was a reduction in Ljubljanska Banka's former overwhelming presence on the Slovene credit market by hiving off its subsidiaries and encouraging competition by issuing new banking licences to domestic and foreign banks.

Much has been achieved over the past three years. Nova Ljubljanska Banka has been recapitalised by the issuance of DM 1.4bn worth of 30-year government bonds yielding 8 per cent in exchange for bad debts.

At the same time its share of banking business, more than 75 per cent three years ago, is now just above 30 per cent and still falling.

"If anything, we are over-capitalised at present because of the low level of loan demand from enterprises," aays Mr Voljc who is now seeking government approval to make the rehabilitation bonds sborter term and more easily tradeable.

The deliberate down-sizing of Nova Ljubljanska has been accompanied by encouragement of greater competition. More than 30 banks are now operating on the Slovene markat, including foreign banks such as Bank Austria, Creditanstalt and Societe Generale of France.

But the central bank now regrets its formerly over-liberal licensing policy and has doubled minimum capital requirementa for setting up new banks to DM30m and is expected to double this again in September.

It is also encouraging bank consolidation through takeovers and mergers.

A typical example was the recent merger between two regional banks based in Maribor and Nova Gorica to form Nova Kreditna Banka Maribor.

The combinad bank now counts as the second-largest bank in terms of assets after Nova Ljubljanska Banka.

But it is the Ljubljana-based SKB Banka which has gained a reputation as Slovenia's most aggressively expanding and innovative private bank.

Mrs Cvetka Selsek, SKB's dynamic deputy general manager, says the bank is the largest in terms of capitalisation following its recent second rights issue which raised the bank's funds to DM240m.

SKB is also by far Slovenia's most international bank in terms of its shareholding structure. The European Bank for Reconstruction and Development (EBRD) is the largest foreign shareholder with 15 per cent of the equity, followed by tha Deutsche Entwicklungs Gesellschaft with 5 per cent and Smith New Court, the London-based broker, which holds 4.81 per cent on behalf of City investors.

The City of Ljubljana is one of the biggest domestic shareholders with a 5.1 per cent stake. The rest of the share capital is owned by several Slovenian brokerage houses and more than 2,000 small shareholders.

SKB began life as tha mortgage-lending arm of Ljubljanska Banka bnt became the first private bank to have its shares quoted on the fledgling Ljubljana Stock exchange in 1990. Two years later it started its reorientation towards general banking.

Its business is now split three ways between retail, corporate and international banking. "We are working hard to sttract corporate customers and increase our foreign business," Mrs Selsek says. "Our current market share is around 10 per cent, but we hope to raise this to between 20 and 25 per cent by the end of the decade."

Despite the progress made towards increasing the efficiency and lowering the costs of Slovenian banks, potential customers are fighting shy of taking out new loans and accuse the banks of charging exorbitant interest rates.

Some are tempted to seek apparently cheaper credits in neighbouring Austria or Germany.

But the banks are finding it difficult to work in an environment where most of the bigger banks are still in rehabilitation and where their asset bases are being squeezed through losses on their foreign currency-denominated assets and liabilities because of the appreciating tolar which is not fully compensating for high domestic inflation.

Mr Voljc of Nova Ljubljanska says it will be impossible to finish the rehabilitation process without progress on three fronts.

The first is agreement with London Club commercial bank creditors over Slovenia's total share of former Yugoslav debt.

The second is an end to the foreign currency overhang and tolar appreciation.

Tha third is governmant approval for plans to make rehabilitation bonds more flexible and more tradeable.

Once these three obstacles to faster progress on bank rehabilitation are removed the scene should be set for more transparent and cheaper lending to enterprises and the necessary improvement in the loan portfolio of the aocially owned banks. Once this occurs, the way should be clear for privatisation.

"This government has been very pro-market and reform-minded. I see no reason why they should not take the same approach with bank privatisation," says Mr Voljc.

Kucan (left) and Drnovsek: both understand the value of stability

■ POLITICS

Undercurrent of rivalry

Two wily political survivors who played important roles during the traumatic final years of federal Yugoslavia have been responsible for guiding Slovenia through its first years of independence. They are the president, Mr Milan Kucan, and the prime minister, Mr Janez Drnovsek, writa Anthony Robinson and Laura Silber.

Both leaders are democratically elected but – unlike other former communist states structured on a similar form of dual power – Slovenia has been spared the political sniping which afflicted Slovakia after the Czech and Slovak divorce two years ago, or the seriously destabilising turf wars between president and parliament waged by Poland's Lech Walesa or President Boris Yeltsin of Russia.

Given the nature of politics, however, an undercurrent of rivalry also runs through the Slovene political scene. President Kucan, with a wealth of personal contacts, wields more influence behind the scenes than the mainly ceremonial formal nature of the presidency under the Slovene constitution would suggest. Mr Drnovsek has his hands full balancing off his coalition partners and a fractious opposition.

But both of Slovenia's leading figures understand the value of stability and help to maintain a level of political civility and stability in a country where the 90-seat parliament is home to eight political groups including ecologists and various nationalist and populist groupings.

Given the country's small size and population, politics tends to be highly personalised with relatively weak party structures and discipline. The two strongest parties are those which sprang from the old League of Commmists, the Liberal Democrats, the prime minister's party, and tbe United List of social democrats.

Together they just fell short of a majority at the general elections in 1992 but lost ground in last December'a local elections which saw gains by the right-wing Slovene Peoples Party led by Mr Marjan Podobnik. The next elections are due towards the end of 1996.

The Liberal Democrats and Social Democrats form the inner core of the current three-party coalition. Tha third member, the Christian Democrat party, recently lost the Ministry of Foreign Affairs. They remain in the government partly because Mr Drnovsek, a shrewd political manipulator, made sure they were compensated with political control over the Ministry of Transport.

This normally low-ranking ministry will oversee construction contracts totalling more than $2.5bn over the next decade.

Mr Kucan says he avoids potential conflicts by co-ordinating his activities with the government. "I am a man who seeks co-operation. I want my views to be checked, the more consultation, the less chance of making mistakes," he says.

But he leaves the impression of being under-employed in his current capacity, raising speculation that he might seek a more active political role once his five-year term expires.

Over the past two years or so, the main political problem facing Slovenia has been the property dispute with Italy and the related delay in opening negotiations for an Association Agreement with the EU. But high unemployment, stubborn inflation and the difficulties caused to exporters and banks by strong appreciation of the Slovene Tolar have also provoked lively political arguments.

In the next few weeks, anothar tough political decision looms as Slovenia's foreign debt negotiators meet London Club commercial bank creditors in another attempt to agree on the share of former Yugoslavia's commercial bank debt to be paid by Slovenia.

Whatever terms are finally agreed they will almost certainly expose the government to attack for "selling out to foreigners", a familiar refrain to many post-communist governments charged with resolving problems inherited from the previous regime.

KEY FACTS

Area	20,253 sq km
Population	1.99 million (1994 estimate)
Head of state	President Milan Kucan
Currency	Slovenian Tolar (SLT)
Average exchange rates	1993 \$1=SLT113.2; £1=SLT170.2
	1994 \$1=SLT128.8; £1=SLT195.8
	24/3/95 \$1=SLT114.0; £1=SLT181.6

ECONOMY	1993	1994
Total GDP (\$m)	12,672	14,465*
Real GDP growth (%)	1.3	5.0
GDP per capita (\$)	6,366	7,267*
Origin of value added (%)		
Agriculture	4.9	
Industry	38.4	n.a.
Services	56.7	
Retail prices (% pa)	32.3	19.8
Ind. production (% pa)	-2.8	6.4
Unemployment (% of lab force)	6.1	9.0
Foreign exchange reserves (\$m)	1,566	2,764
Foreign debt (\$m)	1,873	2,258
Debt service ratio (%)	5.4	5.5
Current account balance (\$m)	150	478
Exports (\$m)	6,083	6,806
Imports (\$m)	6,501	7,247
Trade balance (\$m)	-416	-440
Main trading partners (1994, %)	Exports	Imports
Germany	30.3	23.8
Italy	13.6	17.3
Croatia	10.7	6.8
France	8.6	8.3
Austria	5.5	10.4
EU	*59.3*	*57.1*

* = Estimate. *Source: Bank of Slovenia, Economist Intelligence Unit*

Gavin Gray reports on privatisation

Gaining momentum

After a slow start, Slovenia's privatisation programme is gaining momentum. By the end of 1994, more than 1,300 of the country's socially-owned companies had drawn up plans for privatisation.

Ms Mira Puc, director of Slovenia's privatisation agency, believes that most of them will be in private hands by early next year. Only steel, postal services and a few other strategic industries will be owned by the state.

Under socialism, workers enjoyed relative freedom in deciding how tbeir company was managed and Slovenia's privatisation law preserves this culture by letting the employees decide how their company is privatised. The role of the privatisation agency is to check that their plans conform with the law.

Although the country's privatisation rules are among the most complicated in eastern Europe, it seems that most small and medium sized companies will end up 40 per cent owned by investment funds with the remaining shares controlled by workers and managers.

Larger companies, such as the Krka pharmaceutical company or Radenska mineral water bottler, are likely to be privatised by a combination of worker buy-oots, public share issues and transfers to investment funds.

The law is flexible, however, and some companies, such as the Lasko brewery, will be 100 per cent privatised straight away. Very few companies, on the other hand, will be sold to foreign investors.

The restructuring process began in 1992 when Slovene companies started laying off workers, but the next stage, recapitalisstion and re-investment, is likely to be slowed down by rules restricting trading in some types of shares.

Another drawback of the privatisation scheme is that most companies will start life in the private sector with shareholders with such wildly differing interests that there are likely to be bitter power struggles. The greatest disputes will be between employees – who are expected to care more about preserving their jobs than receiving high dividends – and private investment funds, which will own 20 per cent of the shares of most companies and will want to maximise income.

Investment vouchers were given free to all Slovene adults

The investment funds have been capitalised by investment vouchers, which were given free of charge to all Slovene adults with a nominal value depending on age. Vonchers can also be used to invest in worker buy-outs or public share issues. The investment funds are exchanging vouchers for shares in a series of auctions organised by Sklad, a government-controlled development fund.

At tbe first auction, last December, investment funds managers complained that Sklad set prices too high and there were no bids for six of the 59 blocks of shares on offer.

"But all the unsold shares found buyers when prices went down," says Mr Ales Okorn, director of the Aktiva PDZU fund management company.

It will become much clearer who are the winners and losers in Slovenia's privatisation scbeme wben shares in the investment funds themselves start trading on the Ljubljana stock exchange later this year.

Likewise, the exchange has opened a new over-the-counter market for trading companies that have been privatised by public share issues.

Although the first share issue, for the pharmaceutical company Lek, was fully subscribed last February and another 20 companies have completed issues, none of them are yet quoted because companies are waiting for a new law establishing rules for hostile takeovers.

In the interim, managers are worried that qnoting their shares will expose them to the risk of hostile takeovers from abroad. Ms Puc thinks these fears are exaggerated, arguing that there is unlikely to be much immediate selling.

While most companies in Slovenia have survived the rigours of the past four years and are moving to privatisation, the government has given the Sklad development fund the task of restructuring and privatising about 100 companies that have run into financial difficulties.

"Our role was to find out whether these companies were viable and to bring them back to positive cash-flow," says Mr Uros Korze, director of Sklad.

The development fund's initial portfolio inclnded many companies that were industrially sound, but which used to belong to industrial conglomerates which had been brought down by other troubles.

Sklad is turning round companies by bringing in new management, providing short-term finance and cutting costs aggressively: about one third of the 55,000 workers at these companies have lost their jobs.

By March 1995 the fund had privatised nearly 50 companies, selling some of them to foreign investors and an increasing number to local entrepreneurs.

The infrastructure: transport systems compete for fast-rising volumes of traffic

Last link in rail net

A large map of Europe and the Middle East hangs on the wall of the office occupied by Mr Marjan Rekar, director-general of Slovenian railways.

Pointing to it, he observes: "Shipping goods through Koper and other Adriatic ports to the middle east saves seven to 10 days' sailing time compared with north European ports."

That crucial time and cost advantage is one of the main reasons why Slovenia is so important as the last link in the road and rail transport net which connects central Europe with the Adriatic sea.

Mr Rekar's job is to ensure that Slovene railways compete effectively with the motorways, to capture an increasing ahare of this fast-rising traffic.

More than 85 per cent of rail revenues come from freight transport, and the past three years have already seen a sharp rise in volumes.

From 11.9m tonnes in 1993, freight transported rose 7.8 per cent to 12.8m tonnes last year and is expected to exceed 14m tonnes in 1995.

When the railways investment and rehabilitation plan was being drawn up in 1992, the expectation was that 14m tonnes would only be achieved by the end of the millennium.

Under the plan, which will be partially financed by loans from the European Bank for Reconstruction and Development (EBRD), more than 150km of track will be renewed, 50km of overbead lines will be replaced, and tunnels and bridges will be strengthened or rebuilt.

A new railway-line extension will also be built from Murska Sobota, to connect with the Hungarian railway system through a new spur to be built on the Hungarian side.

The new $144m line, which follows the track of a line dismantled in the early 1960s, will enable traffic to and from central Europe to by-pass Croatia, thus eliminating the current delays, customs and transit charges.

Once the plan is complete, by the end of the century, trains will be able to run at speeds of up to 160kph across the whole network and bottlenecks that currently limit access to the port of Koper will have been removed hy the priority building of double-track lines.

Meanwhile, employment on the railways, which stood at 12,000 in 1990, will have fallen to around 7,500 hy the year 2,000, as part of a wider effort to keep costs low in order to meet increased competition from the modernised motorway oetwork.

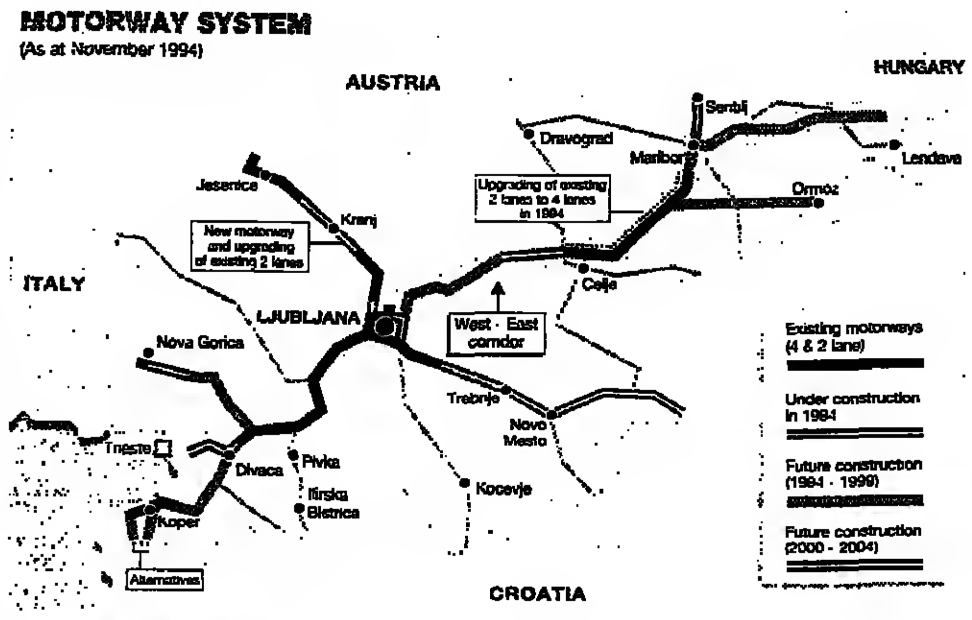
Roman road to the future

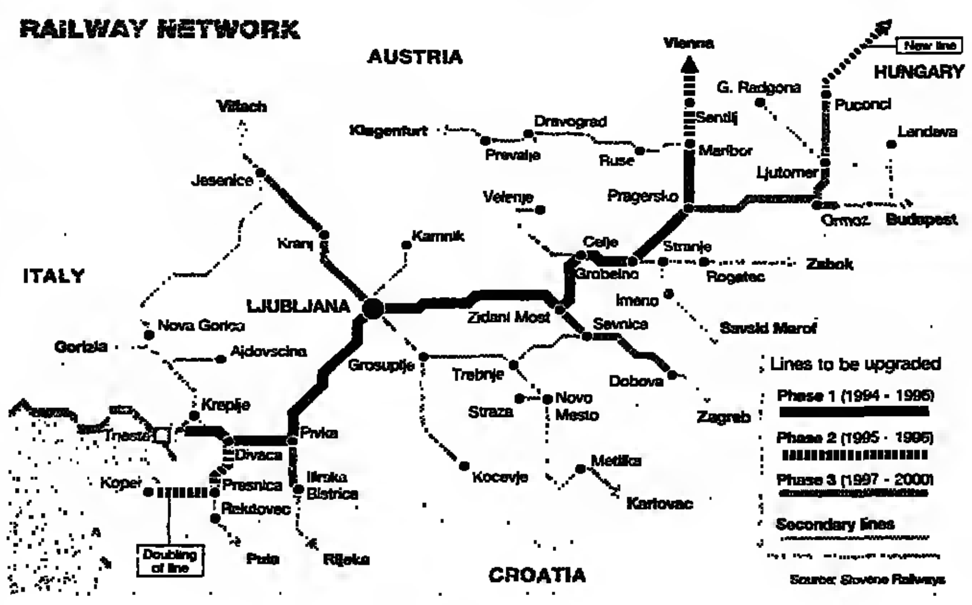
Over the next 10 years, Slovenia will invest heavily in modernising its road and rail network, and expanding and improving port facilities at Koper, formerly known as Capo D'Istria.

Given the mountainous nature of this pre-Alpine country, the new motorways and revamped railways will follow the river valleys and mountain passes used by the Romans and pre-Roman travellers between the Adriatic and central Europe.

The topography ensures that the transport routes form a diagonal cross, the hub being the motorway ring-road which encircles the capital Ljubljana and the city's railway marshalling yards.

Anthony Robinson





Motorway corridor

Between now and the end of the century, the Slovenian Highways Authority (Dars) plans to build 342km of west-east motorways and super-highways.

Once these are huilt, Slovenia will have completed its section of the planned fifth European motorway corridor, which will eventually run from Barcelona through to Kiev.

By 2004, when 112km of the north-south route leading from Ljubljana to the Croatian border are also due for completion, the total length of the Slovenian motorway network, including the 209km of motorways and supar-highways already in operation, should be 663km.

If all goes to plan, the country will then be criss-crossed by motorways converging on the capital, Ljubljana.

They will connect the Slovene port of Koper and the Italian port of Trieste with the oew Karavanke road tunnel into Austria, or alternatively through Maribor or Lendava into Austria and Hungary respectively.

The cost of completing the west-east corridor alone is estimated at $1.56bn, of which $949m will come from domestic sources.

The biggest portion of domestic funding will come from a special T16 per litre levy on petrol imposed last year and $198m from tolls.

Foreign financing to date is limited to $105m from tbe European Investment Bank (EIB) and $32m from the European Bank for Reconstruction and Development, although the latter is expected to contribute a further $73m at a later date along with a further $113m pencilled in hy the EIB.

Dars is a fully state-owned company, which was set up in 1993 specifically to oversee completioo of the motorway programme. Mr Joze Brodnik, the agency's forceful president, says that 80 per cent of the traffic along the new motorways will be locally generated. But the strategic importance of the oew highways clearly lies in the improved west-east and north-south links south of the Alps and improved access to the port of Koper from ceotral Europe.

Last year, 79 per cent of construction contracts were awarded to local contractors and 21 per cent to foreign (mainly Italian) ones. Foreign contractors won sections partially financed by the two European banks which require open tendering.

The awarding of contracts to foreign companies has angered some Slovene huilding groups, which have been short of work since the collapse of the former Yugoslav market and the loss of politically-inspired contracts in member countries of the formerly Yugoslav-influenced "non-aligned movement".

Senior construction industry executives question the ability of Dars to manage the financial side of this unprecedentedly large investmeot programme, or to complete it within the time and cost parameters set out in the highways programme.

They also suggest that the programme, which comes under the political aegis of the Christian Democrat-controlled ministry of transport, will have to be kept under close public scrutiny, given the large sums involved and the potential opportunities for misuse of funds.

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Port competes

The port of Koper, on Slovenia's Adriatic coast, is beginning to provide competition for northern Europe's largest ports such as Hamburg and Rotterdam.

After a slump in 1991 when Slovenia broke away from Yugoslavia, 5.3m tonnes of freight went through Koper in 1994 and 5.5m tonnes is forecast in 1995. Management is considering building a third pier that would lift capacity to 9m tonnes a year.

Most of Koper's new husiness is from companies sending cargo from the Middle East or Far East to central Europe, since using Koper rather than a North Sea port cuts their journey by eight to 10 days.

"We lost about 25 per cent of our market with the break-up of Yugoslavia, but we hava found new customers in Austria, Hungary and the Czech and Slovak Repuhlics," says Mr Mirko Pavsic, finance director at the port of Koper.

Japanese car producers, for example, have started using Koper for exports to Austria and southern Germany, while the port is also being used for German luxury car exports to Asia. Koper's two piers also have facilities for containers along with terminals for a range of commodities including timber, iron ore and oil.

Koper is also winning customers from bigger Adriatic ports, such as Rijeka in Croatia and Trieste in Italy, because its warehouses are more modern.

Koper is winning customers from bigger Adriatic ports, such as Rijeka in Croatia

And unlike its rivals, the port of Koper has enough space for expansion. For instance, its existing 2.5 hectare car terminal has space for 15,000 cars and management is planning to add a further 8ha.

The plan for a third pier would enable higger vessels to use Koper, because the adjacent basin has a depth of 18m, rather than 10m and 14m at the existing two piers.

But while the port's managers are eager to press home their advantages, they have been frustrated by a series of disputes with Slovenia's Ministry of Transport and Communications and uncertainties about future transport policy.

Mr Pavsic says: "Two-thirds of the cargo we handle is transit trade: we do not need such a large port just for Slovenia. If we go ahead on the third pier, that would take yearly turnover to maybe 9m tonnes, but the railways have enongb capacity for only 6.5m to 7m tonnes. This is such a big questioo that a decision needs to be taken by the government."

The biggest problem is that the ministry has blocked plans for privatising the port and until that is resolved management cannot even be certain that it will be allowed to use the land it needs for the third pier terminal. In the meantime, the port is investing some $14m in 1995 to improve warehouses and loading equipment, while oo the second pier a oew terminal for liquid petroleum gas is being built in a joint venture with Pam Gas of the Netherlands.

Gavin Gray

The construction industry

Cause for celebration

Late last month, at Pletovarje, in central Slovenia, construction workers toasted each other with champagne. They had just broken through the middle of the second tunnel at the site.

The new tunnel is needed for a four-lane motorway that eventually will link Slovenia'a border with Italy to Hungary in the east – a project that was planned 20 years ago hut abandoned because of lack of funds.

Loans from tbe European Bank for Reconstruction and Development and a petrol tax mean that the motorway should now be finished by 1999.

All this is cause for celebration among Slovenia's construction companies. "Our turnover last year was DM280m. In Slovenia, our biggest project is building the highway from Koper to the Hungarian border, and we will earn DM100m from that this year," says Mr Igor Zajec, vice-president of SCT, the contractor for the Pletovarje tunnel.

Large projects at home are something new for Slovenia's top construction companies, which in the 1970s and 1980s were forced to look abroad for work. "All that time, the Arabic countries were good customers, because of the trust we huilt up through the non-aligned movement. Now that oil is not so expensive, we have to find new markets," says Mr Mirko Opara, president of the executive board of contracting company Smelt.

Like SCT, Smelt has henefited from the revival of the domestic construction market. In 1993, the two firms worked together on the construction of Ljubljana's World Trade Centre, and Smelt won a $100m contract for Renault's car plant in the sonthern city of Novo Mesto.

But most of Smelt's new business is coming from the former communist world.

In Belarus, it is undertaking a hospital for victims of the Chernobyl disaster; and last year it began work in China on a $25m white-pigment plant.

Smelt has also won contracts in countries where few of its rivals would dare to venture.

In Albania, it is building a botel and the Austrian embassy, while it also has a European Commuoity Ecu 2.5m mandate to build a cold store at Mostar in Bosnia.

While Slovene firms developed in the 1970s, thanks to Yugoslavia's position in the non-aligned movement, they are now finding life mucb harder.

"We have new competition from Slovak, Polish and Czech firms. Their salaries are half our level and we have to cut costs", says Mr Opara.

Foreign competition in their bome market is even harder for some to accept – Italian companies have won some of the motorway construction contracts.

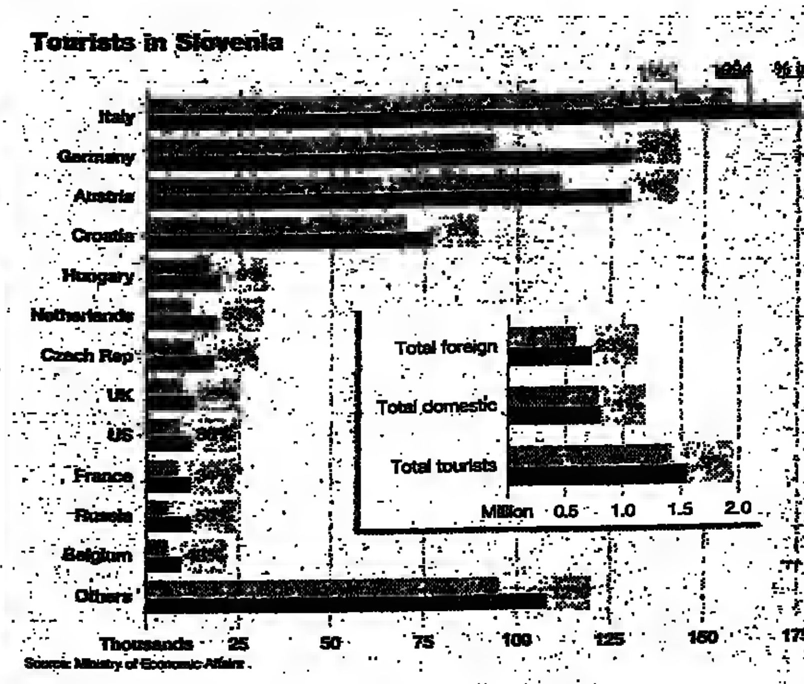
But financial issues are the biggest worry for Slovene contractors. Mr Zajec says SCT's profits are being eroded because the tolar is depreciating against foreign currencies at a slower rate than inflation.

Also, Sloveoe companies are finding that their new markets in the east present problems of their own, as most export credit agencies are reluctant to provide loans or guarantees.

"We prefer projects that are supported by the World Bank or one of the other supranationals," concludes Mr Opara.

Gavin Gray

The arts centre of Ljubljana (left) and Bohinj: Slovenia offers a myriad diversions. The bulk of foreign visitors comes from the Germany, Italy and Austria Picture: Hutchison Library



Source: Ministry of Economic Affairs

Laura Silber takes a look at tourism

Spa industry gets facelift

Feeling worn out? Need to relax? One of Slovenia's 16 spas may have the cure for you. If not, Slovenia offers a myriad otber diversions – swimming in the Adriatic, exploring the karst caves, horse-riding on the Panonian plains, or skiing in the Alps.

Drawing on an old tradition, spa tourism has become popular again in Slovenia. However, the industry is getting a facelift, with representatives working to change the spas' image from one of centres for the elderly and infirm to resorts for healthy holidays.

They are also looking for investors. In the meantime, botels are being renovated, equipment upgraded and swimming pools built.

"All foreign or domestic investors will be very welcome," says Mr Florijan Zorin, director of Rogaska Slatina, a complex of botels in eastern Slovenia. Here, majestic old buildings set in beautiful forested hills contrast with the massive botels built under communism.

It was four centuries ago that the first visitor to Rogaska Slatina bathed in the resort's curative springs. And only last year a spring – sizzling at 67C – was discovered 1,500m below ground. "Instead of heating the new pool, we'll have to cool it," jokes Mr Florijan Zorin, the spa's director.

Rogaska recorded 260,000 visitor-nights in 1994, which represents 67 per cent year-round occupancy for the entire complex, which is one of a network of spas scattered throughout eastern Slovenia.

Some 20km south of Rogaska is Atomske Toplice. The hotel here offers a modern comfortable setting with a superb natural warm springs swimming pool, with an artificial river current and water falls. Last year, the resort complex was rated best spa in Slovenia by the newspaper Delo. Atomske is on the list to be privatised.

Reservations are a must, for the spas are heavily booked. This is remarkable, considering that just four years ago foreigners shied away from Slovenia, as war raged in neighbonring Croatia. Rogaska, 10 miles from the Croatian border, was especially vulnerable.

Rogaska offers package tours for guests to visit other parts of Slovenia

Mr Zorin, 34, shudders when he remembers the grim picture of 1991. "The complex was like a ghost town. At one point, the 1,200 staff had only 12 tourists to look after," he says.

The determined director was forced to sack about a third of the work force and cut costs. This did not always make him popular.

Down the road at the famous Rogaska glassworks, nobody was sacked. But the company, which still has nearly 2,000 workers, is facing grave economic difficulties while the future for the spa now seems secure.

"Now they say 1 am right," says Mr Zorin. "I am trying to get rid of the Socialist way of thinking."

Mr Zorin believes that there is a lot of work to be done. He has visited health resorts all over the world in order to plan what would work well in Slovenia. Foreign boteliers have been invited to help train the staff.

Foreign guests account for the majority of spa guests. Seeking health and beauty remedies at good value, they reach Slovenia by car, rail, air and even sea.

Mr Zorin believes in his prodnct: "People will always spend money for good health."

Rogaska offers package tours for guests to visit other parts of Slovenia. They can attend a concert in Ljubljana, the enchanting capital lined with baroqua church spires or visit Ptuj, in the south-east. With a rich medley of gothic, renaissance and baroqne architecture, Ptuj is as famous for being Slovenia's oldest town as it is for colourful carnival celebrations.

Tourists can taste wine in the Primorje region, wbere olive groves and vineyards line the hinterland to the old Mediterranean seaport towns

Before the break-up of Yugoslavia, coach tours Inclnded Slovenia as a destination batween Venice and Vienna. Summer package tours booked hotel accommodation in Slovenia for holidaymakers heading for Dubrovnik or other favourite spots on Croatia's Dalmatian coast.

The transit trade is still missing, but Slovene tour representatives say the figures for last year were good. According to the official statistics tourism earned $930m, but it is even higher when private transactions are taken into account.

Foreigners accounted for 2.5m out of 5.9m visitor-nights in 1994, which represented a 23 per cent increase over 1992. The bulk of foreign visitors comes from the Germany, Italy and Austria.

"The events following Slovenia'a proclamation of independence did indeed cause terrible damage to our economy and, of course, to tourism," said Mr Maks Tajnikar, minister for economic affairs. "But now we are back on track and are fast building up a modern, effective country and the results of our efforts are already clearly visible."

A great place for train spotters

Slovenia is a great place for train spotters and vintage steam railway buffs – and "railway tourism" on specially arranged steam train excursions is an excellent way to savour some of the most spectacular beauty spots, writes Anthony Robinson.

The steep mountain gradients, rushing rivers and narrow Alpine valleys posed daunting challenges for civil engineers and locomotive constructors of the Austro-Hungarian empire. They rose to the occasion with a series of magnificent tunnels, viaducts and bridges – and powerful "mountain express" locomotives for passenger services and beavy freight trains.

More than 50 steam locomotives have been saved from the scrapyard, and a handful of them can be viewed on request in tha former locomotive round-house behind Ljubljana station which is the kernel of what Mr Mladen Bogic, the curator, hopes will become a fully fledged steam locomotive museum, finance permitting.

Five of the locomotives have been restored to full running order and run regular excursion trains in summer.

The most spectacular route starts just across the Austrian border at Faak am See and winds its way down through mountain passes and gorges, past the lovely lakeside town of Bled and terminates at Most na Soci, In the River Soca valley. A special wagon enables cyclists to take their cycles and allows them time for six hours' touring before the return trip.

Slovene railways have set up a special tourist agency, Slovenijaturist, which can be contacted for full details of all excursions and train hire facilities.

Slovenijaturist. Slovenska 58. Ljubljana. Tel: +44(0)61 314 281. Fax 061 328 884.

Company profile: **Elan**

An important example

Sleek and streamlined, Elan has skied to the top of the world ski industry – but the run has not been easy, writes Laura Silber.

Elan sets an important example for the Slovenes, who fear being taken over by rich foreigners. The good fortunes of the ski and sporting goods manufacturer have silenced public outcry which erupted when tha pearl of Slovene companies was bought out by foreigners from neighbouring Croatia.

"Elan is doing fine," says Mr Joze Mencinger, the eminent Slovene economist. "It is doing much better under the Croats, than under Slovene management."

Even in communist former Yugoslavia, Elan was one of Slovenia's best-known and most successful companies. Clever investments in the company brand name made Elan skis famous as a slew of champions triumphed on the slopes. Elan beadquarters in the village of Begunje, nestling in the foothills of the snow-speckled Julienne alps, appears to inspire company engineers to remain on the cutting edge of the competitive ski industry. In 1991, Elan, along with the market leader Salomon, produced tha monoblock ski. "This new concept," says Mr Vladimir Koscec, the company's Croatian president, "revolutionised the industry." Tha MBX ski, the Elan brandname, enhances performance by giving top priority to speed and control, he says.

The Elan snow-board has also taken the West by storm. Its factories in Slovenia and just over the border in Austria are hard-pressed to keep up with the demand.

Elan has come a long way since enterprising ski enthusiasts from the villaga of Begunje founded the company after the second world war. The idea was good, but their timing was off. A year later, the communists nationalised the company. But under the system of self-management, former Yugoslavia's unique brand of social ownership, Elan had a high degree of autonomy.

It rapidly expanded into pleasure boats, gymnastic equipment and gliders. A series of bad financial decisions in 1990 – including a venture into banking – ended in allegations of mismanagement and fraud. A year later, Privredna Banka, a Croatian bank, bought Elan for DM13.8mn.

Few analysts believe that Privredna Banka will be a long-term owner, and their investment bas already paid off. The bank owns 77 per cent of the company with remaining shares held by 78 companies in Croatia and Slovenia.

Mr Koscec, who runs the Elan Group, the holding company which comprises six subsidiaries in Slovenia and Elan International, was one of the managers brought in from Croatia. His team cut the workforce to 900, nearly half the numbar employed in the growth period of the late 1980s.

The violent disintegration of Yugoslavia hurt Elan, who relied on the former Yugoslav republics for the bulk of sales.But the company has rebounded with a vengeance. Mr Koscec is optimistic about Elan's prospects. He says profits rose last year: the Elan Group in 1994 generated a consolidated profit of DM3.4m. Slovenia's pearl is in good shape, but would be performing even better if it were not held back by its loss-making glider and pleasure boat subsidiaries.

Company profile: **Tobacna**

War impedes recovery

Slovenla, unlike most countries in eastern Europe, is not-a-smokers' paradise. Some restaurants already ban smoking, tobacco advertising is tightly restricted, and the health minister wants to outlaw smoking in public places, writes Gavin Gray.

These are some of a catalogue of problems that have faced managers at Ljubljana-based Tobacna, Slovenia's only cigarette producer.

The factory was built in 1871, at a time when the city had almost no industry. By 1980, it was enjoying an 18 per cent share of the Yugoslav cigarette market, mainly thanks to Filter 57, a brand of heavy cigarettes made of oriental tobacco.

As smoking habits changed, people switched to American-style cigarettes, and by 1988 the company's market share had slumped to 8 per cent.

Management was replaced in 1988, and the new team, led by Mr Bojan Simonic, set about launching new brands. The company started to produce a mild version of Filter 57, and launched SET, a cheaper cigarette.

"We succeeded in changing the trend, but we faced tough competition from semi-international brands, and the future was impossible without big changes," says Mr Simonic.

As ona third of Tobacna's sales were in the Serbian province of Vojvodina and the city of Belgrade, problams increased in 1990 when Serbian consumers started to boycott Slovene products.

In 1991, management decided that the company needed a foreign investor to supply new technology for light cigarettes, and Slovenia's Agency for Privatisation began negotiations with two groups of investors.

Tobacna was privatised in October 1991, with a 76.5 per cent stake being sold to Reemstma of Germany and Seita of France. Employees will bny some of the remaining shares.

At first, Tobacna and its new foreign partners believed they could replace their lost Serbian markets with sales in Croatia and Bosnia, but when war broke out in 1992 and 1993, Tobacna had to look once more for new markets. Reemstma has belped the company to export to the former Soviet Union, Jordan and Iran.

Cost-cutting has been an equally important part in Tobacna's struggle for survival.

The number of staff has fallen from a peak of 1,600 to 1,150 by December 1994. The privatisation contract stipulated that all profits should be ploughed back into the company for five years, and more than DM10mn a year has been invested in new machinery.

According to Mr Simonic, wastage has been cut by more than half.

But inevitably, troubles abroad have forced Tobacna to concentrate on cementing its position in the Slovene market, which accounts for 70 per cent of sales and where the company claims to have an 80 per cent market share.

In 1992, it launched Gauloises Blondes and West, a Reemstma brand; and in 1994 it added light versions of both. But Mr Simonic is especially proud of the latest addition to its product line: Boss Super Lights, which was launched in March 1995.

"This is our child," he says. "It is 100 per cent the creation of our people."

Company profile: **Aktiva**

Making money in the voids

The past four years have been hard for Slovenia's large socially-owned companies as tbey have searched for new markets in western Europe to replace those they lost wben the country broke away from Yugoslavia, writes Gavin Gray.

But while their managers are still lamenting bow much easier life was in the 1980s, Aktiva Group, a new private company, is sbowing that it is still possible to make money in other former Yugoslav republics.

Aktiva was founded in 1989 by Mr Darko Horvat, then only 23 years old, wbose first business venture was to import consumer goods that were not available in Yugoslavia. "At that time all the big distribution systems, such as Mercator and Emona, were splitting up into smaller units. Aktiva imported cosmetics, detergents and food products sucb as fresb fruit, frozen foods and juices," recalls Mr Ales Okorn, finance director at Aktiva group.

Six years on, Aktiva is filling a similar void in Macedonia, wbere the Greek trade embargo has destroyed many of the country's old distributors. It imports food products and motor oil and is also the local distributor for Kodak. It exports small quantities of Macedonian cement and paper products.

In Croatia, the company has built up sales in a different line of business: multi-level marketing. Aktiva represents Avon Products of the US and has recruited a network of 1,500 sales staff across Croatia. Says Mr Okorn: "We started selling Avon goods in Croatia in 1992 and after war broke out, our business fell almost to nothing. Now, sales are 2½ times higber there than in Slovenia."

Aktiva represents Avon Products in Slovenia as well, wbereas in Macedonia and Bulgaria it has recruited staff to sell cleaning products under the brand name Rewin.

One of the hardest things for Aktiva has been getting its staff used to this method of sales. Says Mr Okorn: "People were accustomed to working from 6am to 2pm or 7am to 3pm. We tried to present this as a business opportunity: It was something they could do part-time in the afternoon and combine with tbeir regular job." Even so, drop-out rates have been high.

In early 1994, Aktiva moved into finance, setting up two joint ventures in Slovenia with Epic, an Austrian management consultancy firm. One of them, Aktiva PDZU, will manage a fund investing in privatised companies – one of the few funds in Slovenia that is not backed by a Slovene bank.

Although Aktiva is working in markets which have been abandoned by most Slovene companies, Mr Okorn is not deterred by the risk. He says: "We had to take risks when we were penetrating the market, but now we are avoiding risks. In international trade, we do not sell big quantities to those who have not proved to be reliable customers.

"In Macedonia, we are selling to a network of 100 gas stations thet receive deliveries and pay every 14 days. In multi-lavel marketing, our sales people have to pay us before we give them the goods."

Company profile: **Gorenje**

Highly geared for exports

Gorenje, the domestic appliance company, is the classic case of an export-orientated Slovene company which has reacted successfully to the disintegration of what was formerly a 22m-strong pan-Yugoslav domestic market, writes **Anthony Robinson.**

"We were always highly geared to export, but five years ago 35 per cant of our sales were domestic. Today, 95 per cent of the 1.6m fridges, fridge-freezers, cookers, stoves and washing machines that we sell are axported," says Mr Branko Apat, sales manager of the company whose home base at Velenje is tucked into an attractive pre-Alpine valley.

Gorenje management saw the writing on the wall a year before Slovenia broke away from Yugoslavia. It was already prepared when Serbia imposed an embargo on the import of Slovene goods.

"We began by diversifying our sources of aupply. We bought more components and materials from suppliers in Italy, Spain, Austria, Czechoslovakia and Hungary and cut back on the ateel and other materials we used to buy from Serbia and Macedonia," he says.

Even so, the company was hard hit by the war and the loss of the former Yugoslav market. "In 1991, the darkest year, we lost sales of 150,000 units as the Yugoslav market disappeared," be recalls.

"We cut costs, laid off several hundred people and completed the switch to international purchasing, although we contlnna to bny DM10m-DM12m of materials annually from Croatia and Macedonia. We also Invested beavily in new designs and production equipment. The investment on a new line of freon-free fridges alone was DM40m," Mr Apat saya.

The strategy worked and Gorenja is now a profitable company which is preparing for privatisation in the usual Slovene way which will leave many of the company's shares in the hands of managers and workers. But the company is smaller as well as leaner. "We lost money, markets and substantial capital investmants because of the war and disintegration of Yugoslavia. We lost a factory producing 400,000 fridges a year in Bihac and 70 retail outlets. Wa eatimata total losses of at least DM150m," Mr Apat says.

"We used to be one of the largest companies in Yugoslavia, now we are the sixth-largest company in Slovenia," be adds. Even so, Gorenje alone accounted for about 5 per cent of Slovenia's $6.8bn commodity exports last year and is gearing up to raise output to about 2.5m units a year.

The company is big in Slovenia but small in comparison to the "Big Four" international companies such as the US-controlled Whirlpool group whose annual turnover is about DM22bn.

"Our size allowa us to be flexible and offer the short delivery times which the bigger companies find hard to match. At the same time we are small enough to expand without hurting them, so raising output and sales to about 2.5m units over the next few years should be within grasp," Mr Apat says.

COMMODITIES AND AGRICULTURE

Buoyant market forecast for tin

By Kenneth Gooding, Mining Correspondent

Tin's price is likely to rise by about 20 per cent this year as long as the Chinese stick to their promise to cut exports, suggests Roskill Information Services, the market analysis organisation.

Other analysts also are predicting a brighter outlook for the metal. Mr Jim Lennon at Macquarie Equities, part of the Australian banking group, says recent fund selling of metals has drawn attention away from a continuing tightening of the physical tin market. London Metal Exchange tin stocks are now 30 per cent below their peak of 32,405 tonnes last September, he points out.

GNI Research, part of the Gerrard & National commodities group, is also bullish about tin. It recalls that Paranapanema, the big state-owned Brazilian producer, recently reported a 9.2m reals loss for 1994 when the average tin price was $5,600 a tonne ($2.54 a pound). "If this company, one of the largest producers in the world, could not make a profit at these levels, then it provides a floor to the market," GNI insists.

Roskill's report says growth in demand for tin is coming from the industrialising Asian countries, where electronics and automotive plants – which use tin-based aolders – are being relocated from Japan and Taiwan, and in the US, where lead-based solders are might be restricted or banned by the end of this decade.

Roskill suggest that, at present levels of solder production, substitution of traditional alloys by alloys containing 90 per cent tin could increase annual consumption in the electronics industry alone by 15,000 to 20,000 tonnes.

Total tin demand in countries outside the former eastern bloc dropped by 8 per cent between 1990 and 1993 to 224,800 tonnes a year. Roskill forecasts demand will now rise by 2.5 per cent annually until the end of 1998.

The future supply-demand balance in the tin market depends on the level of Chinese exports, it points out. China joined the Association of Tin Producing Countries last year and agreed to limit annual exports to 20,000 tonnes in 1994 and 1995. But its exports last year reached 44,379 tonnes because of smuggling from Guangxi province. Roskill says that tighter export restrictions and a fall in China'a tin stocks as well as increased demand in China suggests that Chinese exports are unlikely to regain 1993-94 levels.

Roskill forecasts tin prices may increase to an average of $2.90 a pound ($6,392 a tonne) this year and could rise to $3.30 ($7,273 a tonne) hy 1997, "if steady growth in consumption reduces stock levels well below 20,000 tonnes." This would represent the second highast annual average tin price since 1985 but it would remain 40 per cent below the 1985 level, "emphasising the severe problems faced by the tin sector over the past decade".

Economics of Tin 1995: £780 or US$1,560 from Roskill, 2 Clapham Road, London SW9 0JA, UK.

Activity in base metal markets slowed down yesterday afternoon on the London Metal Exchange as little fresh interest was seen after April options expired.

Traders said copper options held no surprises, as the April date fall between the key strike prices at $2,950 and $3,000. Calls (options to buy) at the lower level were exercised, while those at $3,000 were abandoned, which led to a relaxation in some nearby spreads. The three months delivery price traded aimlessly around the $2,920-a-tonne level and the market still showed little sign of breaking out of the $2,900-$2,950 range.

Other metals were equally dull, with the ailing dollar having little impact.

Phelps Dodge looks for growth at Chilean copper mine

Imogen Mark reports on plans eventually to treble output at the newly-opened Candelaria project

Even before the official opening of the Candelaria copper mine, developed at a cost of US$560m some 600m above sea level in the bare, grey hills of the Atacama desert, engineers were studying the feasibility of a speedy expansion.

The mine is already producing refined copper at an annual rate of 130,000 tonnes which, as Mr Gary Loving, chief executive of Candelaria points out, is an increase on earlier projections of 115,000 to 120,000 tonnes.

Engineers at Candelaria'a concentrator plant are looking at the possibility of increasing processing capacity to a level that would boost refined metal output by one third and subsequently to more than 300,000 tonnes a year.

This kind of growth would mean rescheduling the existing mine davelopment plan in order to expand the main pit and the smaller secondary pit faster and work them more intensively. But a substantial rise in mine output would require new capital outlays at tha concentrator and more warehousing and loading capacity at the port. The present concentrator plant cost more than US$200m.

In spite of Phelps Dodge's size and reputation, Candelaria is the first mine it has developed from scratch for many years and its first ever outside the US. Analysts suggest Phelps Dodge opted to start with a relatively modest mine for this reason.

The mine shipped out its first load of copper concentrate (an intermediate product) in October, to Japan and the US. The formal inauguration cama on March 9, two years to the day after work began on developing the mine which lies 20km from Copiapo, one of Chile's oldest mining towns, and 800km from Santiago.

Candelaria is a joint venture between Phelps Dodge, the biggest US copper producer, which holds 80 per cent, and Sumitomo Mining, the Japanese group, which owns the other 20 per cent. Both partners have ample smelting and refining capacity, so there are no plans in the foreseeable future to smelt the concentrate in Chile, though Phelps Dodge executives are diplomatic about saying so.

By Chilean standards, Candelaria is a medium-sized copper producer, on a similar acale to Exxon's Disputada mine, which produces 200,000 tonnes, or Zaldivar, e project being developed by Outokumpu of Finland and Placer Dome, Canada. The latter will yield ahout 125,000 tonnes a year once it starts up, probably in June.

Codelco, the state copper company, produces 136,000 tonnes a year at its Andina mine. But Andina employs 1,124 people at the mine alone, almost double the entire staff of La Candelaria. There, the total workforce of 650 includes the workers at the concentrator plant and the mechanised port, where two shifts of four operators and a supervisor can handle loading 9,000 tonnes of concentrates a day.

Even before last month's inauguration engineers were studying the feasibility of a speedy expansion

Half the workers at the concentrator plant are women, which is fitting in a mine named partly after Sargeant Candelaria Perez, a national heroine who spied for the Chilean army in Peru in the 1838 war. She was canght and imprisoned by the Peruvians, but then freed by the invading Chilean forces, and joined them as a nurse, and occasional rifleman.

A contemporary line drawing of her face and torso make up the mine's logo.

The mine's other patrons are La Virgin de Candelaria, revered hy the local miners, and Candelaria Goyenechea, another independent-minded woman of the last century who developed a legendary silver mine at Chasarcillo.

The total cost included a small port and was financed with $290m in loans. The main lenders, for $200m, were Eximbank Japan and a group of other Japanese banks. The rest of the finance came in the form of eqmity from the two partners. An unusual feature of the finance package, put together by S.G. Warburg of London and Asset-Chile, a Santisgo merchant bank, is the presence among the lenders of the biggest local commercial bank, Banco de Chile, which contributed $30m. It was the first time in living memory that a local bank had participated in a sophisticated project finance package.

Mr David Gallagher, chief executive of Asset-Chile, says the main advantage of using some local finance in a major foreign investment venture is that it helps cover the exchange rate risk on local currency costs during the construction phase of the project. Having local finance evailable also helps increase the range of options and avoids any problem of having to tie financing too closely to smelting contracts.

The Candelaria operating company has a foreign investment contract with the Chilean government for total investments of $1.5bn, which would cover the projected 34-year life of the mine, if it produces at current levels. Today, the reserves are estimated at 366m tonnes, with an average grade of 1.09 per cent of copper a tonne, 0.26 grams of gold and 4.5 grams of silver.

There is speculation in industry circles, however, that Phelps Dodge would like to go for a fast track expansion sooner rather than later, in order to keep up its production profile.

The US group is also exploring for new deposits, in Chile, around Vallenar, and also in both Peru and Argentina. But its experience in the Candelaria project with unwelcome over-stakers – people who restake s property in the hope that the original staker had not done its paper work properly – has mede it wary of unnecessary publicity.

At Candelaria the operators have invested heavily to avoid environmental contamination. They have a watchful audience.

Along the bay from the mine'e jetty at Calderillas there are scallop farmers, who were not pleased at the prospect of toxic copper concentrates, which take the form of glittery black sand, falling to the sea bed to pollnte the water and kill the shellfish. So the concentrates are loaded from the warehouse via a covered conveyor belt and a telescopic chute, straight into the ship's hold.

The warehouse equipment includes a giant vacuum cleaner, the Super Sucker, to clean off the trucks coming down from the mine. Similarly, the Copiapo valley is the site of an extraordinary effort in desert reclamation.

The valley floor from has been planted with table grapes which are expensively drip-irrigated from underground springs. The grapes from Copiapo are the first of the Chilean season to ripen, in time to catch the lucrative Christmas market in the northern hemisphere. Any threat of contamination of the valley waters from the mine processes in the hills above would bring the big fruit export companies down on the mine company immediately.

Oil prices at 5-month highs

By Robert Corzine

Oil prices rose to five month highs yesterday as a conseqnence of rising demand for reformulated gasoline in the US.

The price of the benchmark Brent blend for May reached $17.86 a barrel at one stage yesterday afternoon, compared with a closing price on Tuesday of $17.52. In late London trading it had settled back to around $17.75 a barrel.

Traders said a sharp fall in stocks of reformulated gasoline in the US was behind the run-up in prices. On Tuesday the Energy Department in Washington reported RFG stocks had fallen by 3.9m barrels over the week.

Traders said they expected US refiners, many of which are coming out of their maintenance periods, to enter the crude oil markets to meet the apparent rise in demand. The fuel is mandatory in certain heavily polluted US areas.

Some traders said the tougher US policy towards Iran was also adding support to crude prices. Washington is considering banning US oil companies from huying Iranian crude for use outside the US.

Cuba impatient over Russian sugar-for-oil deal

By Pascal Fletcher in Havana

Cuha yesterdsy signalled its growing impatience at Russia's slow response to its proposals to negotiate a sugar-for-oil trade deal for this year.

"We are waiting to hear from Russia. We have received no official request for any quantity of sugar," Mr Felix Loaces, director of Trade Policy at Cuba's Foreign Trade Ministry, said.

Mr Loaces said Cuba was only aware through press reports that Russia might be seeking 1m tonnes of Cuban raw sugar in exchange for 3m tonnes of crude oil.

"We have been insisting for four months that we are ready to sit down and discuss a sugar-for-oil deal for 1995," he added. But until such detailed talks actually hegan Cuba would not be able to say exactly how much sugar it might have available for such a deal.

The island, its sugar cane fields starved over the past few years of fertilisers previously supplied by the former Soviet Union, is facing a third consecutive low harvest in 1995. The current sugar crop is widely expected to fall short of the historic low of 4m tonnes announced in the 1993-94 season.

Uncertainty over this year's harvest is a major headache for Cnba's trade policy strategists, who must match demand from big traditional clients like Russia and China with Cuba's urgent need to import oil, food, raw materials and machinery.

"We can't just keep sugar in warehouses. We have to fulfil our needs to keep the economy running," Mr Loaces said.

Another bedevilling factor was the issue of outstanding oil and sugar shipments still to be completed under an unfinished 1994 bilateral sugar-for-oil deal with Russia. These were only "beginning to be resolved", Mr Loaces said.

Cuban trade officials said in early February that Cuba was still dne to recelve around 700,000 tonnes of oil from Russia under the unfinished 1994 accord. The corresponding amount of Cuban sugar still to be shipped was believed to be only a few hundred thousand tonnes.

Cuba has already contracted to supply 400,000 tonnes of sugar to China this year under a bilateral trade protocol.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1884-6	1906-9

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	394.7	+1.7	394.7	392.0	1,666	1,205
May	395.9	+1.9	395.9	395.5	-	-
Jun	397.2	+2.1	397.7	394.2	95,547	30,603

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	115.15	-0.80	115.30	115.00	1,930	96
Jul	115.95	-1.00	116.25	115.50	588	76
Sep	102.20	+0.20	102.25	102.00	335	8

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	943	+10	947	936	18,662	1,022
Jul	965	+12	967	957	18,352	884
Sep	982	+16	985	977	15,811	426

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	70.175	+1.450	70.225	70.000	24,560	4,852
Jun	64.300	+1.075	64.725	64.225	27,716	4,818
Aug	61.825	+0.525	62.800	61.800	10,842	1,052

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

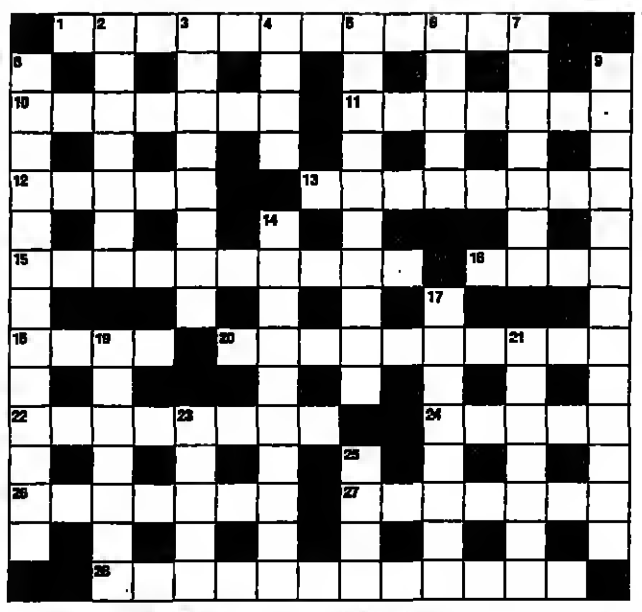
ENERGY

PRECIOUS METALS

JOTTER PAD

CROSSWORD

No.8,730 Set by ADAMANT



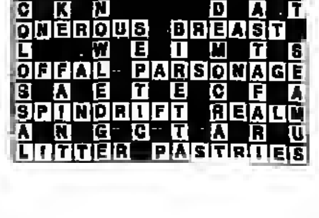
ACROSS

1 Where to make plans for doctor to join the directors after a flight (7,5)
10 Fights about honour? Mad! (7)
11 Bad rule foolishly made permanent (7)
12 Lumpy boy working the other way (5)
13 Sacked a politician who would gas? (8)
15 Proclaim that s-sister and US agents ate outside (10)
16 Drama college over for a month in Jerusalem (4)
18 False ridicule (4)
20 Classic course (10)
22 Are distressed in northern team to be by the kerb (8)
24 Run out and put the rubbish away, my good fellow! (5)
26 It couldn't be simpler (7)
27 Changes in it are due to inactivity (7)
28 They give money to Tory teachers to make fun of being on the inside (12)

DOWN

2 A mother came up and ran round fast (7)
3 Link wage negotiations to feeble character (8)
4 Food is the hot issue coming up (4)
5 Plot with models to get rooms (3-7)
6 Soldiers in time will accept the decisioo (5)
7 Expert touch with worker (3,4)
8 Groans end calm over gossip (13)
8 A method of painting in mind showing changing moods (13)
14 Not one who realises his own assets (10)
17 Recs cast out as least available (8)
19 Latin race (7)
21 Seafood? Throw the rest out (7)
23 Leading entomologist gets into hide to see the geese in flight (5)
25 Starts to lose impetus momentarily, breaking a leg (4)

Solution 8,729



INTERNATIONAL CAPITAL MARKETS

Bunds rally as growth forecasts are cut

By Graham Bowley in London and Lisa Bransten in New York

German government bonds rallied yesterday as traders continued to lower forecasts for German economic growth in the wake of the Bundesbank's cut in interest rates last week.

The cut initially caused disappointment, with feare that the Bundesbank was softening its anti-inflationary stance causing a sell-off at the long-end of the market last week.

But this week investors have switched back into the long end on the belief that the strong D-Mark may be hitting German export growth.

"There is a growing feeling that the Bundesbank was not putting its credibility on the line and that there is a slowdown in German growth," said Mr Stephen Lewis, director of research at the London Bond Broking Company.

The June bund futures contract on Liffe settled at 92.84, up 0.12 point.

Bunds also found support *from a speech by Mr Hans Tietmeyer*, Bundesbank president, in which he reiterated his commitment to the Maastricht criteria for monetary union.

Intervention by central banks to support the dollar against the D-Mark also provided a boost to bunds and other European markets. Traders said US employment figures due tomorrow will provide the next focus.

■ UK government bonds ended slightly higher, although they fell back after attempting to break a key resistance level on the futures exchanges.

The long gilt future on Liffe settled at 103¾, up ⅛ point, after failing to breach 103⅞.

The Bank of England announced it will issue £300m of index-linked bonds today, in two tranches due 2003 and 2013. Traders said they expect good demand for the tap stock.

"Over the last few months, we have seen funds becoming increasingly interested in index-linked gilts," said Mr Simon Briscoe, bond strategist at S. G. Warburg.

GOVERNMENT BONDS

Mr Briscoe said that the market is well-supported at its current levels and there is the potential for gilts to rally significantly if gilt futures are able to break through the current resistance levels.

Traders will be focusing today on manufacturing output data for February which analysts expect to confirm the recent picture of a slowdown in growth.

Mr Briscoe is forecasting growth in output of 0.6 per cent on the month, and 3.25 per cent on the year, close to the market consensus.

■ Italian government bonds fell back on concerns about the government's lack of progress over pension reform. In late trading, the June futures contract on Liffe was down 0.51 point, at 93.79.

The Swedish government bond market weakened on fears that the government is not doing enough to tackle the country's debt problem.

■ US Treasury prices tracked the ups and downs of the dollar yesterday morning as central bank buying of dollars bolstered the currency and helped bonds before both markets gave back most of their mid-morning gains.

Near midday the benchmark 30-year Treasury was up $\frac{1}{32}$ at $103\frac{1}{32}$ to yield 7.364 per cent. At the short end of the market, the two-year note was unchanged at $99\frac{27}{32}$, yielding 6.692 per cent.

Bond prices had been flat in early morning trading after the commerce department's index of leading economic indicators came in within the range of most economists' expectations. Although the 0.2 per cent decline registered in February was the first drop since October and the largest decrease since June 1993, by now a slowing economy has already been priced into the bond market.

Just after mid-morning, however, Treasury prices popped up with the dollar after the Fed and the Bundesbank began buying dollars on the foreign exchange market. The intervention briefly raised the value of the US currency against the yen and the D-Mark. The subsequent increase in bond prices sent the long bond yield back below 7.36, but the dollar failed to hold on to its gains and bonds fell back along with the declining currency. In the late morning the currency was changing hands at Y86.04 and DM1.3782 against Y86.15 and DM1.378 late on Tuesday.

Trading was relatively light as investors awaited tomorrow's release of important employment data.

Brady bonds drift lower in wake of rally

Brady bonds drifted slightly lower yesterday following a strong rally in the market over the past two weeks, writes Richard Lapper.

Financial instability in Argentina and Brazil was mainly responsible for an average fall in prices of some 0.3 per cent in trading in London. In the past two weeks the market has been buoyed by better economic news from the emerging markets, including rises in the Mexican market.

Since March 29 prices have increased by 6.32 per cent, according to data supplied by West Merchant Bank. Over the period Bulgaria has shown the strongest performance with the prices of its bonds rising by 9.1 per cent.

Bradys – paper issued in exchange for distressed commercial bank debt – fell sharply following the Mexican devaluation last December.

Volume at leading European futures exchanges tumbles

By Laurie Morse in Chicago

Volume at Europe's leading futures and options exchanges tumbled during the first quarter as volatility in world interest rates failed to match the tumult seen in the first quarter of 1994.

Use of over-the-counter derivatives as risk management tools has also slowed this year, a trend that has echoed on the exchange trading floors.

In the three-month period ended March 30, volume on the London International Financial Futures Exchange was down 22 per cent, while turnover at the Paris Matif was off 33 per cent and volume at Germany's DTB was 25 per cent lower.

If the slump persists, the exchanges could be in for a rare bad year. Collectively, they have been growing at rates of more than 40 per cent a year for the past five years.

During that time London's Liffe has become the third largest exchange in the world, and Matif and DTB have grown into powerful financial centres.

A pause, both in markets and in growth of Europa's futures exchanges, is not surprising, however.

"If you take the long view, one can't expect the rapid rate of growth to continue," said Mr Merton Miller, a University of Chicago economist who specialises in derivatives.

"As they [the exchanges] develop, their growth rates will be more like the Chicago Mercantile Exchange and the Chicago Board of Trade – typical of mature markets."

With their product lines based heavily on interest rate instruments, these exchanges depend on debt market volatility to bring them business. Although dollar and Mexican peso shocks have unsettled the financial markets this year, the currency market upheavals have not matched the global interest rate restructuring of 1993 and 1994, derivatives traders say.

Most of the world's foreign currency derivatives trading is done in the private bank market, rather than on established exchanges.

The sharpest fall in volume in the quarter came in long-term bond futures contracts, a phenomenon also seen in the US.

During the first quarter, volume in the CBoT's big Treasury bond futures pit fell 8 per cent, taking exchange-wide volume down 8 per cent as well.

However, at the CME, where 60 per cent of exchange turnover is in three-month eurodollar futures and options, the first quarter was up 12 per cent, bucking the global trend.

As turnover falls, the struggle for market share in established futures products is likely to heat up. During the quarter, Liffe increased its command of the German bund futures market, at the expense of the DTB.

Mr Leo Melamed, chairman of the Chicago-based brokerage firm Sakura-Dellsher and former chairman of the CME, said exchanges in Europe and Japan should not focus on falling volume numbers. Rather, he said they should be looking for the opportunities offered by the US dollar's decline to construct innovative D-Mark and yen-based instruments.

"It is very hard to replace the US dollar as a reserve currency, but Europe seems to be moving toward the D-Mark and Asia to the yen. If I were in Germany right now [at an exchange] I'd sit down with economists and financial experts and figure out what sorts of D-Mark based instruments Europe needed," Mr Melamed said.

Samurai launches for two central banks

By Richard Lapper

Two samurai bonds were yesterday launched for central banks from emerging markets, underlining the current popularity of higher yielding notes among Japanese investors.

Nomura brought a Y30bn issue for National Bank of Hnngary, while Nikko launched a Y12bn five-year deal for the central bank of Tunisia.

Nomura is aiming a three-year tranche of Y15bn at retail investors and a 15-year tranche of Y15bn at institutions.

Nikko said retail investors were also the main focus for its issue – the third yen deal for the Tunisian bank launched in recent months. In February, the Hungarian bank issued a Y25bn samurai while Tunisia has raised a total of Y67bn in samurais in recent months.

Mr Philip Brown of Nikko said demand was partly a product of the low returns elsewhere in Japanese markets. The Tunisian bank, rated triple-B by the local credit rating agency, will pay investors a coupon of 4.5 per cent (equivalent to a spread of between 145 and 150 basis points over the Japanese Libor).

The Hungarian bank, also rated triple-B by the local agency, will pay a 3.7 per cent conpon on the three-year tranche and a 6.9 per cent coupon on the longer tranche.

The bank said demand for its bonds had not been affected by a recent downgrading of its rating by Standard & Poor's, the US credit rating agency. It is rated BA-plus by S&P and Ba1 by Moody's Investors Service.

Borrowers follow the World Bank

By Martin Brice

Demand for the World Bank D-Mark global deal brought earlier this week continued to dominate the bond markets yesterday, as borrowers moved to satisfy investors wanting similar paper.

Landesbank Rheinland Pfalz Finance brought a jumbo DM1bn 10-year deal via Lehman Brothers and Morgan Stanley, which said demand came from European institutional and retail investors.

The bonds, which were launched at a spread of 24 basis points over the comparable German government bond, will be priced today.

Morgan Stanley was also lead manager for Hipotebansa, which brought the biggest-ever asset-backed peseta deal. The Pta58.8bn 24-year floating-rate notes, which carry a coupon of 20 basis points over Libor, are backed by Spanish residential mortgages, and are rated AAA. Demand came from European institutions.

Credito Italiano won its first mandate for a World Bank deal - a L150bn zero-coupon one-year offering. The proceeds were believed to be swapped into floating-rate D-Marks.

Also in the supra-national sector, EIB used BZW to bring a £100m increase to its 8¾ per cent coupon dne December 2000. That deal had been launched at 15 basis points over the comparable gilt and tightened in to around 8 over. The increase came at 11 over.

Elsewhere, Glaxo, the UK drugs group, is expected to award a mandate for bonds to replace £8.1bn in loans to fund its bid for Wellcome, a fellow UK drugs group.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
International CableTel(a)§★	125	(7-7½)#	100.00	2005	-	-	Salomon Brothers Intl.
STERLING							
European Investment Bank(b)	100	8.75	100.574	Dec.2000	0.25	+11(8%-00)	Barclays de Zoete Wedd
D-MARKS							
LB Rheinland Pfalz Finance	1bn	(c)	(c)R	Apr.2005	0.325R	+24(7½%-05)	Lehman/ Morgan Stanley
CS First Boston	200	7.125	98.75R	May.2000	0.325R	+65(7%-99)	CSFB-Effectenbank
ITALIAN LIRE							
World Bank	150bn	zero	90.62	Apr.1996	1.00	-	Credito Italiano
PESETAS							
Hipotebansa IV, Class A(d)‡	58.8bn	(d1)	100.00	Jan.2019	0.26	-	Morgan Stanley & Co.Intl.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Expected pricing: 12/4/95. Indicated conv prem: 21-25%. Callable after 3 yrs at par. b) Fungible with £200m. Plus 139 days accrued. c) Priced today. d) Mortgage securitisation. Av life: 3.8 yrs. d1) 3-mth Libor +20bp. d2) Class B: Pta1.2bn, 15/1/19, av life 7.9 yrs, 3-mth Libor +70bp, par.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	94.6400	-0.290	9.85	10.19	10.18
Austria		7.500	01/05	100.7200	+0.090	7.39	7.44	7.66
Belgium		6.500	03/05	90.8500	+0.320	7.86	8.11	8.26
Canada *		9.000	12/04	101.4000	-	8.78	9.84	8.83
Denmark		7.000	12/04	88.6500	+0.250	8.78	8.97	8.60
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	98.1300	+0.090	7.76	7.92	8.02
Germany Bund		7.375	01/05	102.3200	+0.200	7.03	7.16	7.41
Ireland		6.250	10/04	82.9500	+0.150	8.62†	8.81	8.80
Italy		8.500	01/05	80.8200	+0.080	13.03	13.06	12.27
Japan	No 119	4.800	06/99	108.2460	-0.220	2.72	3.11	3.72
	No 174	4.600	09/04	107.6530	-0.690	3.52	3.66	4.45
Netherlands		7.750	03/05	103.9600	+0.150	7.17	7.33	7.54
Portugal		11.675	02/05	98.5000	-0.200	12.13	12.18	11.65
Spain		10.000	02/05	88.3600	-0.020	12.05	12.46	11.73
Sweden		8.000	02/05	68.2750	-0.220	11.56	11.57	10.63
UK Gilts		6.000	08/99	92-00	+4/32	8.24	8.41	8.51
		8.500	12/05	100-26	+3/32	8.38	8.53	8.67
		9.000	10/08	104-27	+5/32	8.40	8.53	8.64
US Treasury *		7.500	02/05	102-25	+5/32	7.10	7.13	7.35
		7.625	02/25	103-06	+10/32	7.36	7.38	7.55
ECU (French Govt)		8.000	04/04	86.2000	+0.280	8.22	8.43	8.48

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	5.77	Two year	6.71
Prime rate	9	Two month	5.81	Three year	6.82
Broker loan rate	6½	Three month	5.89	Five year	6.96
Fed.funds	6	Six month	6.14	10-year	7.12
Fed.funds at intervention	$6\frac{1}{16}$	One year	6.39	30-year	7.38

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	113.40	118.40	+0.12	118.60	113.10	110,434	118,436
Sep	112.78	112.80	+0.12	112.78	112.58	301	6,841
Dec	112.66	112.70	+0.12	112.68	112.66	2	1,063

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
111	-	2.71	-	0.17	0.33	-
112	-	1.82		0.31	0.53	1.37
113	0.99	1.23	1.57	0.59	0.88	1.80
114	0.48	0.71	1.20	-	1.30	-
115	0.17	0.36	-	-	-	-

Est. vol. total, Calls 26,748 Puts 51,975. Previous day's open int., Calls 136,024 Puts 192,864.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.73	92.84	0.12	92.93	92.54	110955	179418
Sep	92.20	92.30	0.08	82.30	92.19	454	2325

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9250	0.66	0.95	0.84	1.10	0.32	0.61	1.04	1.30
9300	0.39	0.69	0.63	0.86	0.55	0.85	1.33	1.58
9350	0.21	0.48	0.46	0.69	0.87	1.14	1.66	1.89

Est. vol. total, Calls 11437 Puts 10025. Previous day's open int., Calls 147756 Puts 129271

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES - (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.25	93.86	-0.44	94.47	93.55	37085	48034
Sep		93.21	-0.44			0	137

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9350	1.75	2.49	1.39	2.78
9400	1.48	2.26	1.62	3.05
9450	1.23	2.05	1.67	3.34

Est. vol. total, Calls 1623 Puts 1641. Previous day's open int., Calls 42456 Puts 32218

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	82.75	82.77	+0.03	82.90	82.33	62,162	46,005

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	103-22	103-24	0-04	103-29	103-12	42283	85836
Sep		103-14	0-03			0	105

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
103	1-10	1-41	1-45	2-11	0-26	0-57	1-17	1-47
104	0-37	1-05	1-14	1-44	0-53	1-21	1-50	2-19
105	0-15	0-42	0-54	1-18	1-31	1-58	2-26	2-54

Est. vol. total, Calls 5632 Puts 2897. Previous day's open int., Calls 37283 Puts 48160

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	83.04	83.32	+0.34	83.32	82.84	3,512	7,882

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	104-21	104-20	+0-02	104-23	104-11	296,996	330,807
Sep	104-01	104-06	+0-02	104-06	103-30	485	17,318
Dec	-	103-23	-0-01	-	-	48	1,523

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	115.06			115.40	114.68	4272	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Apr 5	Day's change %	Tue Apr 4	Accrued interest	xd adj. ytd		Low coupon yield Apr 5	Apr 4	Yr. ago	Medium coupon yield Apr 5	Apr 4	Yr. ago	High coupon yield Apr 5	Apr 4	Yr. ago
1 Up to 5 years (24)	119.96	+0.09	119.85	1.67	2.89	5 yrs	8.30	8.32	7.13	8.37	8.38	7.36	8.50	8.52	7.49
2 5-15 years (21)	141.28	+0.08	141.17	1.97	3.58	15 yrs	8.34	8.35	7.59	8.41	8.42	7.70	8.62	8.63	7.97
3 Over 15 years (9)	158.18	+0.14	157.94	1.90	4.05	20 yrs	8.32	8.33	7.67	8.41	8.42	7.70	8.57	8.58	7.89
4 Irredeemables (6)	181.54	-0.25	182.00	3.59	1.47	Irred.†	8.40	8.38	7.80						
5 All stocks (60)	138.09	+0.09	137.96	1.96	3.41										

Index-linked							Inflation 5% Apr 5	Apr 4	Yr. ago	Inflation 10% Apr 5	Apr 4	Yr. ago
6 Up to 5 years (2)	190.85	+0.08	190.79	0.04	2.57	Up to 5 yrs	3.40	3.44	3.23	2.01	2.04	2.32
7 Over 5 years (11)	177.19	+0.24	176.77	0.86	1.28	Over 5 yrs	3.83	3.84	3.39	3.84	3.86	3.21
8 All stocks (13)	177.71	+0.22	177.32	0.78	1.40							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 5	Apr 4	Apr 3	Mar 31	Mar 30	Yr ago	High*	Low*
Govt. Secs. (UK)	91.98	92.13	91.87	91.57	91.98	96.72	92.13	90.22
Fixed Interest	111.02	110.84	110.63	110.67	110.43	116.79	111.02	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Apr 4	Apr 3	Mar 31	Mar 30	Mar 29
Gilt Edged bargains	104.2	98.4	98.2	108.5	110.0
5-day average	103.8	101.9	101.7	99.6	96.9

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 5

[illegible]

UK GILTS PRICES

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CURRENCIES AND MONEY

MARKETS REPORT

Central banks lend further support to the dollar

Central banks yesterday bought dollars on the foreign exchanges for the second time this week in a further effort to stabilise the US currency, *writes Philip Gawith.*

The Federal Reserve and the Bank of Japan, which both supported the dollar on Monday, were this time joined by the Bundesbank. There were unconfirmed rumours that the Bank of France also intervened.

The support effort was judged a modest success, at best, by the market, because it failed to push the dollar above the previous day's trading high. On the other hand, there was also some agreement that the Fed was probably neither seeking, nor expecting, to do much more than stabilise the dollar.

At lunchtime in New York the dollar was trading at Y86.03 and DM1.3733, below the levels at which tha central banks first intervened.

In Europe most attention focused on Sweden where the minority Social Democratic government yastarday unveiled proposals designed to combat a high budget deficit and rising debt, which have recently driven the krona to fresh lows against the D-Mark. The market was unimpressed by the timid measures announced, and the krona finished largely unchanged in London at SKr5.343 against the D-Mark from SKr5.34.

Sterling had an uneventful day with markets keeping an eye out for the possibility of an interest rate announcement emerging from the monthly monetary meeting. It closed at DM2.2184, from DM2.2234, and at $1.6035, from $1.605.

■ The most surprising aspect of the intervention was the involvement of the Bundesbank. Earlier in the day Mr Hans Tietmeyer had repeated his stock line that countries with weak currencies needed to put their houses in order.

While conceding that the exchange rate of the dollar, in particular, was exaggerated, he added that weak currency nations "must inspire confidence via their policies." He added that the Bundesbank was "interested in a strong dollar and stable European currencies."

Mr Theo Waigel, tha German finance minister, also made plain where he felt the blame lay. Speaking in Bonn, he said: "The causes of the dollar's weakness lie above all in the US itself." He added: "I think it is an illusion to believe that governments and central banks can go against the markets for any length of time."

Mr Peter Luxton, analyst at MMS in London, said the Bundesbank was more interested about what was happening in Europe than the dollar.

Later, the terse affirmation from the Bundesbank that it was intervening left markets with the impression that it was a reluctant conscript. In this case, said analysts, intervention was likely only to be a limited success.

The extent of intervention was unclear, but some observers reckoned it was around $1bn, suggesting total intervention could have been as high as $4-5bn in recent days.

Mr David Cocker, economist at Chemical Bank in London, said the US was "just trying to stabilise the dollar, to take the heat out of the situation." He added, though, that there would still be demand for D-Marks in the market. He cited the case of Sweden yesterday as having provided the market, early in the day, with a reason to buy D-Marks.

Mr Luxton added: "They aren't turning the market around, but they are making it much more cautious about shorting the dollar. They are just trying to keep markets on their guard rather than making an all out effort to change sentiment."

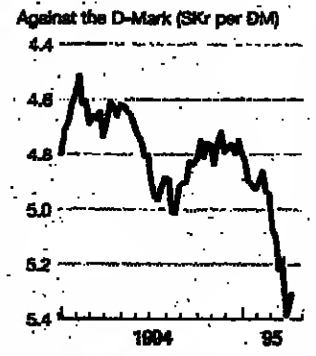
One New York trader reckoned that the action of the Fed had bolstered credibility. "They've changed it from shooting fish in a barrel to where you've got to give them a little attention," he said.

■ On Sweden, Mr Luxton said markets had been optimistic ahead of yesterday's announcement, only to be disappointed. "It hasn't really cleared up the whole budget issue. There is talk even about increasing VAT and some social spending. Nobody is really sure what is going on there and that has really hit sentiment."

■ The Bank of England provided UK money markets with £415m late assistance. Earlier it had provided £51m at established rates after forecasting a shortage of £450m. Futures markets were quiet as traders awaited the outcome of the monthly meeting.

Swedish krona

Against the D-Mark (SKr per DM)



Source: Datastream

■ **Pound in New York**

Apr 5	---Latest---	-- Prev. close --
£ spot	1.6080	1.6070
1 mth	1.6068	1.6058
3 mth	1.6077	1.6060
1 yr	1.5980	1.5982

■ **OTHER CURRENCIES**

Apr 5	£	$
Hungary	189.891 - 190.170	118.460 - 118.560
Iran	2798.98 - 2805.25	1745.00 - 1750.00
Kuwait	0.4695 - 0.4700	0.2929 - 0.2930
Poland	3.7358 - 3.7405	2.3305 - 2.3320
Russia	7930.18 - 7930.05	4944.00 - 4947.00
U.A.E.	5.8867 - 5.8910	3.6723 - 3.6727

POUND SPOT FORWARD AGAINST THE POUND

Apr 5		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.6122	-0.0348	010 - 233	15.6674	15.5178	15.5916	1.6	15.5535	1.5	-	-	108.1
Belgium	(BFr)	45.6228	-0.0862	861 - 595	45.7220	45.3040	45.6528	-0.8	45.5228	0.9	45.1128	1.1	110.8
Denmark	(DKr)	8.7552	-0.0424	497 - 607	8.7902	8.7206	8.7606	-0.6	8.7693	-0.6	8.7545	0.0	110.3
Finland	(FM)	6.8687	-0.0374	637 - 736	6.9130	6.8410	-	-	-	-	-	-	87.8
France	(FFr)	7.7513	-0.0254	449 - 577	7.7776	7.7175	7.762	-1.7	7.7743	-1.2	7.731	0.3	111.3
Germany	(DM)	2.2184	-0.005	169 - 199	2.2292	2.2029	2.2151	1.8	2.2079	1.9	2.1648	2.4	114.2
Greece	(Dr)	362.335	-0.946	182 - 488	363.825	360.297	-	-	-	-	-	-	69.0
Ireland	(I£)	0.9969	-0.0023	963 - 975	1.0026	0.9949	0.9967	0.2	0.9963	0.2	0.997	0.0	95.8
Italy	(L)	2758.82	-8.52	556 - 209	2772.44	2742.73	2770.07	-4.9	2791.32	-4.7	2877.52	-4.3	63.9
Luxembourg	(LFr)	45.6228	-0.0862	861 - 595	45.7220	45.3040	45.6528	-0.8	45.5228	0.9	45.1128	1.1	110.8
Netherlands	(Fl)	2.4838	-0.0055	822 - 854	2.4926	2.4674	2.4802	1.7	2.4726	1.8	2.4276	2.3	110.8
Norway	(NKr)	9.9337	-0.0291	266 - 408	9.9752	9.8831	9.9233	1.3	9.903	1.2	9.7968	1.4	100.0
Portugal	(Es)	234.963	-0.186	679 - 307	236.171	233.083	235.828	-4.3	237.616	-4.5	-	-	96.8
Spain	(Pta)	203.019	-0.89	876 - 163	204.000	202.451	203.549	-3.1	204.569	-3.1	209.104	-3.0	77.8
Sweden	(SKr)	11.8520	-0.0215	423 - 617	11.9152	11.7138	11.8541	-0.2	11.8582	-0.2	11.8784	-0.2	76.4
Switzerland	(SFr)	1.8200	-0.0073	188 - 213	1.8270	1.8066	1.8153	6.1	1.8055	3.2	1.7514	8.6	115.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.7
Ecu	-	1.2160	-0.0014	151 - 166	1.2178	1.2084	1.2159	0.1	1.2161	0.0	1.2109	0.4	-
SDR†	-	1.029710	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6033	-0.0013	027 - 038	1.6162	1.6018	-	-	-	-	-	-	-
Brazil	(R$)	1.4418	-0.0029	395 - 436	1.4558	1.4367	-	-	-	-	-	-	-
Canada	(C$)	2.2309	-0.0088	298 - 320	2.2526	2.2298	2.2351	-2.3	2.2404	-1.7	2.2466	-0.7	81.4
Mexico	(New Peso)	10.4147	-0.3144	874 - 420	10.6523	10.3874	-	-	-	-	-	-	-
USA	($)	1.6035	-0.0015	030 - 040	1.6165	1.6020	1.6034	0.1	1.6022	0.3	1.5923	0.7	89.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1691	-0.021	677 - 705	2.1705	2.1675	2.1718	-1.5	2.1761	-1.3	2.1957	-1.2	80.5
Hong Kong	(HK$)	12.3978	-0.0121	931 - 024	12.4976	12.3870	12.3972	0.1	12.398	0.0	12.3913	0.1	-
India	(Rs)	50.3980	+0.0106	582 - 378	50.8070	50.3582	-	-	-	-	-	-	-
Israel	(Shk)	4.7352	-0.023	289 - 414	4.7748	4.7289	-	-	-	-	-	-	-
Japan	(Y)	138.703	-0.101	579 - 826	139.290	138.010	138.133	4.9	136.983	5.0	130.873	5.6	165.8
Malaysia	(M$)	4.0096	-0.0397	076 - 118	4.0495	4.0088	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4436	-0.0085	414 - 455	2.4455	2.4412	2.4493	-2.9	2.4583	-2.4	2.4741	-1.3	96.7
Philipines	(Peso)	41.5307	-0.1961	378 - 238	41.8238	41.4376	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0136	-0.0058	113 - 158	6.0830	6.0086	-	-	-	-	-	-	-
Singapore	(S$)	2.2560	-0.0043	545 - 575	2.2720	2.2545	-	-	-	-	-	-	-
South Africa	(R)	5.7648	+0.0018	612 - 680	5.8040	5.7586	-	-	-	-	-	-	-
South Korea	(Won)	1237.34	-1.12	671 - 797	1247.13	1236.42	-	-	-	-	-	-	-
Taiwan	(T$)	41.5804	-0.0376	562 - 046	41.9061	41.5527	-	-	-	-	-	-	-
Thailand	(Bt)	39.4943	-0.0357	659 - 226	39.7880	39.4659	-	-	-	-	-	-	-

†SDR rates per £ for Apr 4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	9.7363	-0.0129	324 - 402	9.7490	9.6330	9.7248	1.4	9.7048	1.3	9.6113	1.3	108.1
Belgium	(BFr)	28.4520	-0.028	380 - 660	28.4820	28.1220	28.4645	-0.5	28.417	0.5	28.327	0.4	110.5
Denmark	(DKr)	5.4601	-0.0215	583 - 618	5.4759	5.4115	5.4641	-0.9	5.4716	-0.8	5.4986	-0.7	109.2
Finland	(FM)	4.2836	-0.0194	818 - 853	4.3046	4.2504	4.2856	-0.8	4.2869	-0.3	4.2911	-0.2	88.3
France	(FFr)	4.8340	-0.0115	315 - 365	4.8410	4.7870	4.8412	-1.8	4.852	-1.5	4.8545	-0.4	110.4
Germany	(DM)	1.3835	-0.0018	830 - 840	1.3861	1.3674	1.3817	1.6	1.378	1.6	1.3595	1.7	113.3
Greece	(Dr)	225.965	-0.385	940 - 990	226.430	223.500	228.265	-12.2	232.215	-11.1	249.465	-10.4	66.1
Ireland	(I£)	1.6085	+0.0022	080 - 090	1.6210	1.6060	1.609	-0.4	1.6108	-0.5	1.6193	-0.7	-
Italy	(L)	1720.50	-3.75	800 - 200	1722.00	1707.75	1727.45	-4.8	1742	-5.0	1806.5	-5.0	63.5
Luxembourg	(LFr)	28.4520	-0.028	380 - 660	28.4820	28.1220	28.4645	-0.5	28.417	0.5	28.327	0.4	110.5
Netherlands	(Fl)	1.5490	-0.002	485 - 495	1.5513	1.5310	1.5471	1.5	1.5433	1.5	1.5245	1.6	110.2
Norway	(NKr)	6.1950	-0.0126	925 - 975	6.2095	6.1215	6.1885	1.3	6.1787	1.0	6.1525	8.7	98.9
Portugal	(Es)	146.550	+0.01	400 - 700	146.700	144.680	147.15	-4.9	148.3	-4.6	153.8	-4.8	97.0
Spain	(Pta)	126.610	-0.44	560 - 660	126.900	125.580	126.93	-3.0	127.73	-3.5	131.485	-3.9	77.2
Sweden	(SKr)	7.3914	-0.0067	878 - 951	7.4023	7.2999	7.4056	-2.3	7.4374	-2.5	7.6064	-2.9	75.9
Switzerland	(SFr)	1.1350	-0.0035	345 - 355	1.1380	1.1210	1.1325	2.8	1.1271	2.8	1.1015	3.0	114.9
UK	(£)	1.6035	-0.0015	030 - 040	1.6185	1.6020	1.6034	0.1	1.6022	0.3	1.5923	0.7	83.8
Ecu	-	1.3187	+0.0003	182 - 192	1.3321	1.3182	1.3183	0.3	1.3178	0.3	1.3152	0.3	-
SDR†	-	0.63862	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0001	998 - 999	0.9998	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	0.8990	-0.001	980 - 000	0.9020	0.8980	-	-	-	-	-	-	-
Canada	(C$)	1.3913	-0.0042	910 - 915	1.3938	1.3895	1.3939	-2.2	1.3962	-2.0	1.4108	-1.4	79.8
Mexico	(New Peso)	6.4950	-0.19	800 - 100	6.5100	6.4800	6.4973	-0.4	6.5004	-0.3	6.6053	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	90.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3526	-0.0118	523 - 532	1.3532	1.3423	1.3544	-1.6	1.3592	-2.0	1.3838	-2.3	81.0
Hong Kong	(HK$)	7.7317	-0.0006	312 - 322	7.7322	7.7312	7.7306	0.2	7.7347	-0.2	7.7702	-0.5	-
India	(Rs)	31.4300	+0.035	150 - 450	31.4550	31.4150	31.51	-3.1	31.755	-4.1	-	-	-
Israel	(Shk)	2.9530	-0.0117	500 - 560	2.9680	2.9500	-	-	-	-	-	-	-
Japan	(Y)	86.5000	+0.015	500 - 500	86.6500	85.6800	86.17	4.6	85.5	4.6	82.205	5.0	167.0
Malaysia	(M$)	2.5005	-0.0225	000 - 010	2.5213	2.4990	2.4985	1.0	2.4961	0.7	2.4905	0.4	-
New Zealand	(NZ$)	1.5237	-0.0028	230 - 245	1.5246	1.5123	1.5275	-3.0	1.5355	-3.1	1.5588	-2.3	-
Philipines	(Peso)	25.9000	-0.1	500 - 500	25.9600	25.8500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0002	500 - 505	3.7507	3.7500	3.7513	-0.3	3.7534	-0.3	3.7653	-0.4	-
Singapore	(S$)	1.4069	-0.0014	064 - 074	1.4074	1.4045	1.4017	4.5	1.3934	3.8	1.3669	2.8	-
South Africa	(R)	3.5950	+0.0042	940 - 600	3.5960	3.5885	3.613	-6.0	3.6503	-6.2	3.8443	-6.9	-
South Korea	(Won)	771.650	-	500 - 800	771.800	771.500	774.65	-4.7	778.15	-3.4	796.65	-3.2	-
Taiwan	(T$)	25.9310	-	240 - 380	25.9380	25.9240	25.951	-0.9	25.991	-0.9	-	-	-
Thailand	(Bt)	24.6300	-	200 - 400	24.6400	24.6050	24.651	-1.0	24.6775	-0.8	24.765	-0.5	-

†SDR rate per $ for Apr.4. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 4. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

April 5	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5 5/8	5 5/8	5 9/16	5 9/16	6 1/8	7.40	4.00	-
week ago	5 7/8	5 3/4	6 1/8	6 1/8	6 3/8	7.40	4.50	-
France	7 3/8	7 3/4	7 3/4	7 7/8	7 5/8	5.00	-	8.00
week ago	7 7/8	7 7/8	8 1/4	8	7 5/8	6.00	-	8.00
Germany	4.50	4.50	4.56	4.69	4.94	6.00	4.00	4.85
week ago	4.59	4.50	4.85	5.03	5.32	6.00	4.50	4.85
Ireland	5 7/8	6 1/8	5 15/16	7 1/8	7 5/8	-	-	6.25
week ago	5 1/2	5 5/8	7	7 3/8	7 5/8	-	-	6.25
Italy	10	10 7/8	11	11 3/8	11 3/4	-	7.50	10.44
week ago	10 1/4	10 7/8	11 3/16	11 1/2	11 7/8	-	7.50	10.15
Netherlands	4.56	4.59	4.70	4.85	5.09	-	5.25	-
week ago	4.90	4.59	5.07	5.20	5.48	-	5.25	-
Switzerland	3 1/4	3 3/8	3 3/8	3 5/16	3 1/2	6.625	3.00	-
week ago	3 1/2	3 3/8	3 5/8	3 3/4	3 7/8	6.625	3.50	-
US	6 1/16	6 1/8	6 1/8	6 3/8	6 5/8	-	5.25	-
week ago	6 1/8	6 1/8	6 1/4	6 1/2	6 5/8	-	5.25	-
Japan	2 1/8	1 3/8	1 3/8	1 3/8	1 3/8	-	1.75	-
week ago	2 1/8	1 7/8	2	1 7/8	1 7/8	-	1.75	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	6 1/8	6 1/4	6 9/16	6 7/8	-	-	-
week ago	-	6 1/8	6 1/4	6 1/2	6 7/8	-	-	-
US Dollar CDs	-	5.94	6.08	6.28	6.60	-	-	-
week ago	-	5.94	6.15	6.33	6.62	-	-	-
SDR Linked Ds	-	4 5/8	5	5 1/8	5 1/8	-	-	-
week ago	-	4 3/8	4 1/2	4 3/4	4 13/16	-	-	-

ECU Linked Ds mid rates: 1 mth: 6 1/32; 3 mths: 6 3/32; 6 mths: 6 5/32; 1 year: 6 5/8. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 5	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 3/16 - 5 1/16	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 3/8 - 5 1/4	5 11/16 - 5 9/16	6 1/16 - 5 15/16
Danish Krone	6 1/4 - 5 7/8	7 1/4 - 6 7/8	7 1/8 - 6 3/4	7 1/4 - 7	7 1/4 - 7	7 1/2 - 7 1/4
D-Mark	4 9/16 - 4 7/16	4 9/16 - 4 7/16	4 5/8 - 4 1/2	4 13/16 - 4 9/16	4 3/4 - 4 5/8	5 - 4 7/8
Dutch Guilder	4 5/8 - 4 1/2	4 5/8 - 4 1/2	4 13/16 - 4 11/16	4 7/8 - 4 3/4	5 1/16 - 4 15/16	6 3/16 - 5 1/8
French Franc	7 7/8 - 7 5/8	7 7/8 - 7 5/8	8 - 7 3/4	7 7/8 - 7 5/8	7 1/2 - 7 1/4	7 5/16 - 7 1/16
Portuguese Esc.	8 7/8 - 8 5/8	10 1/4 - 10	10 3/4 - 10 1/4	11 1/16 - 10 3/4	11 3/8 - 11 1/8	11 7/8 - 11 3/8
Spanish Peseta	8 5/8 - 8 1/2	8 13/16 - 8 11/16	9 1/16 - 8 15/16	9 1/2 - 9 3/8	9 13/16 - 9 5/8	10 3/16 - 10 3/8
Sterling	6 5/8 - 6 3/8	6 5/8 - 6 3/8	6 5/8 - 6 3/8	6 13/16 - 6 9/16	7 1/16 - 6 15/16	7 5/8 - 7 1/2
Swiss Franc	3 1/2 - 3 3/8	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3 7/16 - 3 5/16	3 1/2 - 3 3/8	3 5/8 - 3 1/2
Can. Dollar	8 1/8 - 7 13/16	8 1/8 - 7 15/16	8 1/8 - 8	8 1/4 - 8 1/8	8 1/4 - 8 1/8	8 1/4 - 8 1/8
US Dollar	6 1/8 - 6	6 1/8 - 6	6 1/8 - 6	6 1/4 - 6 1/8	6 7/16 - 6 5/16	6 3/4 - 6 5/8
Italian Lira	10 1/2 - 9	10 1/4 - 10 1/8	10 7/16 - 10 5/16	11 1/16 - 10 15/16	11 7/16 - 11 5/16	11 13/16 - 11 11/16
Yen	1 3/4 - 1 11/16	1 25/32 - 1 23/32	1 3/4 - 1 11/16	1 11/16 - 1 5/8	1 11/16 - 1 5/8	1 11/16 - 1 5/8
Asian $Sing	3 7/8 - 3 3/4	3 1/4 - 3 1/8	2 13/16 - 2 11/16	2 15/16 - 2 13/16	3 - 2 7/8	3 3/8 - 3 1/4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.08	93.12	+0.04	93.08	93.00	37,995	47,418
Sep	93.44	93.41	+0.01	93.44	93.36	6,236	33,061
Dec	93.42	93.40	+0.01	93.42	93.36	3,498	21,974
Mar	93.25	93.26	-0.02	93.25	93.21	1,104	14,984

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		93.55	-			0	565
Sep		93.34	-			0	329
Dec		93.10	-			0	256
Mar		93.10	-			0	0

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.27	95.28	+0.01	95.29	95.26	15181	158833
Sep	95.07	95.10	+0.03	95.11	95.07	19569	169946
Dec	94.79	94.82	+0.03	94.84	94.78	10487	118678
Mar	94.49	94.52	+0.04	94.54	94.47	5631	85433

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	88.62	88.62	+0.04	88.69	88.45	10718	41005
Sep	88.61	88.58	+0.03	88.66	88.46	2528	22576
Dec	88.84	88.58	+0.02	88.64	88.47	905	13204
Mar	88.63	88.59	+0.02	88.63	88.50	308	7526

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.61	96.58	-0.01	96.61	96.55	3224	22565
Sep	96.51	96.50	-0.01	96.52	96.47	1390	8600
Dec	96.34	96.36	+0.01	96.36	96.34	80	6201
Mar	96.19	96.21	+0.01	96.21	96.19	98	1729

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.35	93.37	+0.08	93.41	93.32	1723	9555
Sep	93.35	93.30	+0.02	93.36	93.27	527	4230
Dec	93.08	93.05	-	93.08	93.03	272	2358
Mar	92.85	92.95	+0.02	92.86	92.82	105	1768

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.19	16.99	4.862	2.185	6048	5.445	21.78	515.1	445.0	25.98	3.989	2.192	4.890	3.518	304.0	2.665
Denmark	(DKr)	52.11	10	8.853	2.533	1.139	3151	2.837	11.35	268.4	231.8	13.54	2.079	1.142	2.548	1.832	158.4	1.389
France	(FFr)	58.86	11.30	10	2.862	1.286	3560	3.205	12.82	303.2	261.8	15.29	2.348	1.290	2.878	2.069	178.9	1.569
Germany	(DM)	20.57	3.947	3.495	1	0.450	1244	1.120	4.479	106.0	81.52	5.343	0.821	0.451	1.006	0.723	62.53	0.548
Ireland	(I£)	45.78	8.781	7.774	2.225	1	2767	2.491	9.964	235.7	203.6	11.89	1.825	1.003	2.238	1.609	139.1	1.220
Italy	(L)	1.658	0.317	0.281	0.080	0.036	100	0.090	0.360	8.518	7.358	0.430	0.066	0.036	0.081	0.058	5.027	0.044
Netherlands	(Fl)	18.37	3.525	3.120	0.893	0.401	1111	1	3.999	94.61	81.72	4.771	0.733	0.403	0.898	0.646	55.84	0.490
Norway	(NKr)	45.92	8.813	7.802	2.233	1.004	2777	2.501	10	236.6	204.3	11.93	1.832	1.007	2.246	1.615	139.6	1.224
Portugal	(Es)	19.41	3.726	3.298	0.944	0.424	1174	1.057	4.227	100	86.38	5.043	0.774	0.426	0.949	0.683	59.02	0.517
Spain	(Pta)	22.47	4.313	3.818	1.093	0.491	1359	1.224	4.894	115.8	100	5.837	0.897	0.493	1.099	0.790	68.33	0.599
Sweden	(SKr)	38.50	7.388	6.541	1.872	0.841	2328	2.096	8.383	198.3	171.3	10	1.536	0.844	1.883	1.354	117.0	1.026
Switzerland	(SFr)	25.07	4.810	4.259	1.218	0.548	1516	1.365	5.458	129.1	111.5	6.511	1	0.549	1.226	0.881	76.21	0.668
UK	(£)	45.62	8.755	7.751	2.218	0.997	2758	2.484	9.934	235.0	203.0	11.85	1.820	1	2.231	1.604	138.7	1.218
Canada	(C$)	20.45	3.924	3.474	0.994	0.447	1237	1.113	4.453	105.3	90.98	5.312	0.818	0.448	1	0.719	62.17	0.545
US	($)	28.44	5.458	4.832	1.383	0.622	1720	1.549	6.193	146.5	126.6	7.388	1.135	0.623	1.391	1	86.47	0.758
Japan	(Y)	32.89	6.312	5.588	1.599	0.718	1989	1.791	7.162	169.4	146.4	8.544	1.312	0.721	1.609	1.156	100	0.877
Ecu		37.52	7.200	6.374	1.824	0.820	2269	2.043	8.169	193.3	166.9	9.745	1.497	0.822	1.835	1.318	114.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7274	0.7306	+0.0031	0.7334	0.7249	27,779	55,372
Sep	0.7350	0.7336	+0.0036	0.7350	0.7336	123	2,147
Dec	0.7378	0.7378	+0.0041	0.7378	0.7378	41	384

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.1713	1.1746	+0.0033	1.1775	1.1658	19,005	57,730
Sep	1.1900	1.1894	+0.0036	1.1915	1.1890	461	2,728
Dec	1.2075	1.2075	+0.0063	1.2075	1.2075	4	398

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8891	0.8931	+0.0040	0.8970	0.8839	15,196	27,917
Sep	0.9018	0.9005	+0.0045	0.9030	0.9005	118	2,448
Dec	-	0.9090	-	0.9095	-	4	161

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6060	1.6110	+0.0066	1.6144	1.6036	7,642	23,064
Sep	1.6090	1.6070	+0.0060	1.6110	1.6070	83	244
Dec	-	1.6070	-	1.6090	-	8	65

UK INTEREST RATES

LONDON MONEY RATES

Apr 5	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/8 - 6	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 5/8 - 6 5/8	7 1/8 - 7	7 11/16 - 7 9/16
Sterling CDs	-	-	6 5/16 - 6 1/8	6 5/8 - 6 1/2	7 - 6 15/16	7 5/8 - 7 1/2
Treasury Bills	-	-	6 1/16 - 6	6 3/8 - 6 1/4	-	-
Bank Bills	-	-	6 1/16 - 6	6 3/8 - 6 1/4	6 13/16 - 6 11/16	-
Local authority deps.	6 5/16 - 6 1/16	5 15/16 - 5 13/16	6 5/16 - 6 3/16	6 9/16 - 6 7/16	7 1/16 - 6 15/16	7 7/16 - 7 5/16
Discount Market deps	5 1/2 - 4 1/2	6 - 5 7/8	-	-	-	-

UK clearing bank base lending rate 6 3/4 per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5 3/4	5 3/4	6	6 1/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/2pc. Ave. tender rate of discount 6.1134pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 31, 1995. Agreed rate for period Apr 26, 1995 to May 23, 1995, Schemes II & III 7.98pc. Reference rate for period Mar 1, 1995 to Mar 31, 1995, Schemes IV & V 6.713pc. Finance House Base Rate 7pc from Apr 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.79	92.82	+0.02	92.83	92.78	17402	98693
Sep	92.39	92.40	+0.01	92.42	92.36	6852	88035
Dec	92.04	92.05	+0.01	92.08	92.02	4681	54462
Mar	91.75	91.77	+0.03	91.78	91.73	2151	37112

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9225	0.24	0.20	0.20	0.17	0.55	0.80
9300	0.11	0.11	0.12	0.29	0.71	1.07
9325	0.04	0.06	0.07	0.47	0.91	1.27

Est. vol. total, Calls 10261 Puts 3228. Previous day's open int., Calls 174116 Puts 183983

EMS EUROPEAN CURRENCY UNIT RATES

Apr 5	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.07183	-0.00121	-3.78	9.21	-
Belgium	39.3960	38.0523	-0.0081	-3.41	8.85	25
Germany	1.91007	1.85021	-0.00127	-3.13	8.54	-
Austria	13.4383	13.0209	-0.0091	-3.20	8.51	-
Portugal	195.792	195.738	-0.066	-0.03	6.17	0
Denmark	7.28580	7.31659	-0.01703	0.42	4.69	-3
France	6.40608	6.47203	-0.01283	1.03	4.07	-9
Spain	162.493	169.815	-0.362	4.51	0.60	-31
Ireland	0.792214	0.832907	+0.004376	5.14	0.00	-35
NON ERM MEMBERS						
Greece	292.867	302.275	-0.535	3.21	1.88	-
Italy	2106.15	2309.76	+4.31	9.67	-4.13	-
UK	0.786652	0.835384	+0.005617	6.19	-1.00	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
1.525	8.32	8.53	8.95	-	0.28	0.82
1.550	5.93	6.45	7.11	0.01	0.64	1.36
1.575	3.64	4.58	5.41	0.22	1.25	2.13
1.600	1.61	3.08	3.97	0.84	2.19	3.11
1.625	0.66	1.91	2.81	2.16	3.44	4.41
1.650	0.16	1.11	1.98	4.13	5.12	6.99

Previous day's vol., Calls 4,570 Puts 7,096. Prev. day's open int., Calls 227,357 Puts 308,694

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.54	93.54	-	93.56	93.52	56,629	519,763
Sep	93.32	93.33	+0.01	93.34	93.30	86,052	350,058
Dec	93.10	93.09	-	93.11	93.07	69,774	265,100

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.09	94.10	+0.01	94.10	94.08	1,119	15,576
Sep	93.85	93.84	-	93.85	93.84	323	10,281
Dec	93.63	93.63	-0.01	93.63	93.63	219	8,214

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	May	Jun	Sep	PUTS Apr	May	Jun	Sep
9525	0.06	0.10	0.14	0.17	0.03	0.07	0.11	0.32
9550	0.01	0.01	0.04	0.08	0.23	0.23	0.26	0.48
9575	0	0	0.01	0.03	0.47	0.47	0.48	0.68

Est. vol. total, Calls 13617 Puts 12897. Previous day's open int., Calls 147875 Puts 240761

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9650	0.14	0.18	0.21	0.06	0.19	0.36
9675	0.03	0.09	0.12	0.20	0.34	0.51
9700	0	0.03	0.05	0.42	0.53	0.69

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 887 Puts 885

BASE LENDING RATES

	%
Adam & Company	6.75
Allied Trust Bank	6.75
AIB Bank	6.75
●Henry Ansbacher	6.75
Bank of Baroda	6.75
Banco Bilbao Vizcaya	6.75
Bank of Cyprus	6.75
Bank of Ireland	6.75
Bank of India	6.75
Bank of Scotland	6.75
Barclays Bank	6.75
Brit Bk of Mid East	6.75
●Brown Shipley & Co Ltd	6.75
Citibank NA	6.75
Clydesdale Bank	6.75
The Co-operative Bank	6.75
Coutts & Co	6.75
Credit Lyonnais	6.75
Cyprus Popular Bank	6.75
Duncan Lawrie	6.75
Exeter Bank Limited	7.75
Financial & Gen Bank	7.50
●Robert Fleming & Co	6.75
Girobank	6.75
●Guinness Mahon	6.75
Habib Bank AG Zurich	6.75
●Hambros Bank	6.75
Heritable & Gen Inv Bk	6.75
●Hill Samuel	6.75
C. Hoare & Co	6.75
Hongkong & Shanghai	6.75
Julian Hodge Bank	6.75
●Leopold Joseph & Sons	6.75
Lloyds Bank	6.75
Meghraj Bank Ltd	6.75
Midland Bank	6.75
* Mount Banking	6.75
NatWestminster	6.75
●Rea Brothers	6.75
* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Royal Bk of Scotland	6.75
Singer & Friedlander	6.75
●Smith & Williamson Secs	6.75
TSB	6.75
●United Bk of Kuwait	6.75
Unity Trust Bank Plc	6.75
Western Trust	6.75
Whiteaway Laidlaw	6.75
Yorkshire Bank	6.75

● Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or −	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		60½	—	98	50¼	6.31	19.8	−
9¾pc Non-Cum Pf		4¾	—	118½	3	1.90	−	−
Cater Allen		469	—	465	410	149.6	7.7	9.5
Close Bros		281	—	281	219	248.5	3.8	11.6
Gerrard & Nat		418	—	490	395	202.1	7.2	12.0
Hambros		222	+4	253	185	392.1	8.4	13.8
7½pc Cv Pf		100	+2	112	94	126.8	8.4	−
Joseph (L)		378	—	408	378	20.0	5.8	11.0
King & Shaxson		91	—	103	80	15.8	12.4	9.0
Kleinwort Benson		[illegible]	+15	653	529	679.8	4.1	12.8
Rea Bros		67	−1	87	57	23.7	2.2	ϕ
Schroders		1535	+7	1548	1360	1,535	1.7	15.0
N/V		1350	+5	1393	1235	391.5	1.9	12.4
Singer & Fried		82	—	89½	62	159.3	6.5	ϕ
Union		87	—	93	70	23.1	4.3	ϕ
Warburg (SG)		726	+12	784	695	1,505	2.8	13.9
Wintrust		205	—	235	200	71.4	6.5	13.7

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
TVX Gold	♥	408p	+7¼	442¼p	373¼p	847.4	–	
Toronto-Dom		893xd	–⅛	10⅛	8¾	2,883	4.4	
Trans Can Pipe	♥	733	+⅛	8⅛	7⅜	1,491	4.6	

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32½	—	£34	£29	2,124	2.4	ϕ
Barlow	♣	885	–⅛	885	£4½	1,231	1.6	22.8
Gold Flds Prop R		144xa	—	152	118	14.7	7.2	ϕ
MK Props		90	—	95	85	3.82	12.9	–
SASOL	♥	593	–6	690	435	3,421	2.3	–
SA Brews	†	£17¾	–⅛	£17⅞	£12⅞	4,928	1.6	28.3
Tiger Oats		850	—	875	700	1,278	1.7	20.6
Tongaat-Hulett	†b	749	+71	*762	636	677.2	1.9	22.3

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
e Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
S Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg. Call 0171-873 4378 (+44 171 873 4378, international) for more information on FT Cityline.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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LONDON STOCK EXCHANGE

MARKET REPORT

Share prices close higher in nervous trading

By Terry Byland, UK Stock Market Editor

A promising start to trading in the UK stock market yesterday ground to a halt later, despite a round of support for the US dollar by the Federal Reserve and the Bundesbank. Traders suspected that the currency intervention might be only the first step in a concerted plan to restore stability to the currency markets.

The FT-SE 100 Share Index closed at a new 1995 peak of 3,190.2, a net rise on the day of 2.1 points. In early trading, the Footsie 100 jumped more than 18 points to clear the 3,200 mark, largely in response to a new peak overnight on Wall Street and a further rally in Japanese stocks. But the Footsie reading of 3,206.6 proved to be the day's peak.

It was no surprise for the stock market that UK base rates are as yet unchanged, following yesterday's routine meeting of the chancellor of the exchequer and the governor of the Bank of England. A further tightening of base rates this year is still considered likely by some, but by no means all, City analysts.

The latest monthly report from the UK Treasury, published yesterday, indicated some caution on input prices. An easier trend in sterling was ascribed to worries over the likely performance of government candidates at today's local elections in Scotland.

Takeover speculation in the stock market again suggested that underlying confidence in the outlook for share prices remains sound. Hints of an impending bid for British Gas grew stronger and hopes that a German bank was looking for a UK acquisition boosted some of the merchant banking stocks, which have been seen as vulnerable since the unexpected collapse of Barings. The FT-SE Mid 250 Index closed 8.5 points higher at 3,468.3, while the FT-SE-350 Index edged up by 1.7 to a new 1995 peak of 1,581.9.

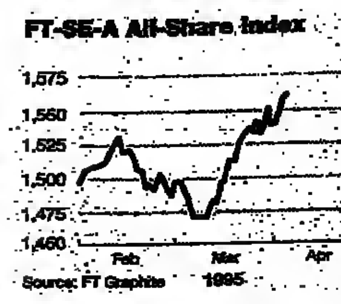
Uncertainties over the US dollar surfaced early in the session. The US currency eased, as German financial authorities doubted whether G-7 intervention was a substitute for changes in national economic policies. Stock market strategists remained doubtful whether London can break out of its current range unless steps are taken to promote a recovery in the US dollar; the market view is that only action on interest rates will solve the problems of global currencies.

The final picture was a mixed one. The improvement in the US dollar was too late to benefit all the dollar-orientated stocks, many of which suffered some profit-taking selling in the first half of the session. Oil shares, which have had a strong run, were content to ease off yesterday and pharmaceutical issues, also strong earlier this week, slowed down.

The pattern was much the same among the domestic retail and consumer issues, which had joined in the general advance in the market on the previous day.

Trading volume reached a healthy 700m shares through tha Seaq system, which was well up to recent averages. However, volume was below Tuesday's performance, when around 780m shares brought in retail business worth £1.83bn to securities firms in London.

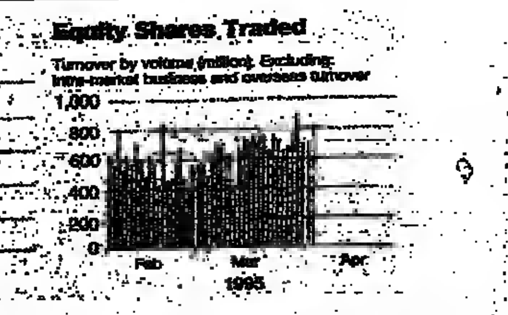
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3190.2	+2.1
FT-SE Mid 250	3468.3	+8.5
FT-SE-A 350	1581.9	+1.7
FT-SE-A All-Share	1560.78	+1.88
FT-SE-A All-Share yield	4.10	(4.10)
FT Ordinary Index	2444.0	+2.2
FT-SE-A Non Fins p/e	17.19	(17.19)
FT-SE100 Fut Jun	3214.0	+3.0
10 yr Gilt yield	8.44	(8.45)
Long gilt/equity yld ratio:	2.09	(2.09)

Best performing sectors

1. Insurance .... +1.4
2. Tobacco .... +1.2
3. Banks, Merchant .... +1.2
4. Gas Distribution .... +1.0
5. Engineering, Vehicles .... +0.9

Worst performing sectors

1. Extractive Inds. .... -1.1
2. Mineral Extraction .... -0.6
3. Property .... -0.6
4. Oil, Integrated .... -0.6
5. Telecommunications .... -0.3

Merchant banks in demand

The merchant banking/stockbroking sectors attracted another burst of speculative buying as hints of imminent takeover moves revived.

Helping the positive mood was confirmation that Charles Schwab, the US discount broker, was the bidder for Sharelink and had agreed a 235p a share offer for the UK execution-only broker. Sharelink shares raced up 19 to 232p following the news.

The two stocks seen as most likely to attract the attentions of predators in the merchant banks, Kleinwort Benson and SG Warburg, moved ahead sharply. Kleinwort regained most of the ground lost earlier this week, closing 15 higher at 659p after relatively good turnover of 741,000.

Rumours of a bid for Kleinwort from Dresdner Bank continued to circulate in the market. One story was that Dresdner would launch an offer this week, a move which, dealers said, would trigger a wave of rationalisation in UK marketmaking with offers for SG Warburg and Smith New Court, also very big operators in UK share trading, quick to follow.

Others said another possible bidder – one of the powerful Swiss banks – was stalking Kleinwort. SG Warburg shares moved up 12 to 725p. Smith New Court, whose shares dropped sharply earlier this week amid old stories that the group had suffered big losses in the utilities sector after the Littlechild bombshell last month, advanced 18 to 438p.

Vosper ahead

Shipbuilder Vosper Thorneycroft jumped 18 to 757p on a mixture of order optimism and market recommendations.

Dealers said South Africa was seeking to order three corvettes and the UK was on the shortlist for the contract.

As one of the UK's last remaining quoted shipbuilders, Vosper is one of the few with the capacity to tackle such an order.

Also, the company's finance director was in London talking to analysts on Tuesday. Panmure Gordon liked what it heard and reiterated its positive recommendation. The house argues that once you strip out the company's £60m cash pile, it is on an undemanding p/e of only 12 times earnings for the year to March.

Finally, the deadline is fast approaching for the Monopolies and Mergers Commission to deliver its ruling on the bids by GEC and BAe for VSEL. This reminded investors that the disappointed party might bid for Vosper. Also, a successful bid by GEC would slash the number of competing shipyards from three to two and increase Vosper's ability to tender. VSEL gained 7 to 1570p, BAe 5 to 484p and GEC was flat at 303p.

Recs return

A number of the recently beleaguered regional electricity companies returned to favour, with dealers talking about the potential for more bids in the sector.

Southern, the biggest of the recs, measured by market capitalisation, jumped 11 to 616p on turnover of 609,000, while Eastern, the second biggest, gained 7 to 583p on 2.3m traded. Yorkshire, the fourth largest rec, advanced 14 to 624p with turnover reaching 2m. At least one takeover bid for Yorkshire was said to have been imminent and subsequently abandoned after Offer announced its intention of revisiting price controls on electricity distribution.

Worries around the market that the heavyweight circular issued by James Capel highlighting potentially massive losses in the US for Commercial Union and Royal Insurance could cause severe damage to the two companies' share prices came to nothing.

Both stocks featured in the FT-SE 100's top ten performers, helped, according to traders, by a bullish note published by SG Warburg. The broker described Commercial Union as offering the best long term growth prospects in the composites with diversity helping to underpin the dividend payment. Warburg also labelled Royal a buy, pointing to the potential for further good dividend increases.

Commercial Union shares settled 9 firmer at 543p, up 1.7 per cent, while Royal, the FT-SE 100's second best performer, jumped 7, or 2.5 per cent, to 292p.

A bout of indigestion, arising from the placing on Tuesday by Hoare Govett of Lloyds Bank's 4.5 per cent stake in Standard Chartered, left the latter's shares looking ragged against the rest of the banks and the worst performer in the FT-SE 100. The stock price slipped 9 to 285p, a fall of 3 per cent. Turnover was a hefty 8.9m shares.

A NatWest buy recommendation was the driving force behind Barclays Bank shares, which advanced 9 to 631p. Vague takeover speculation revived in TSB where the shares edged up 3 to 243p, on big turnover of 5.8m; dealers also pointed to heavy activity in the traded options where a buyer of 600 contracts in the June 280 calls was noted.

Shares in Bass, the brewing and hotels group, firmed 2 to 559p, following a recommendation from Lehman Brothers, the US investment bank. Lehman said it was changing its recommendation from "underperform" to "outperform" and said, "Despite our negative views on the UK beer industry (until a price war materialises), Bass's stock does now have its attractions." Bargain hunters helped Highland Distilleries bounce from recent weakness. The shares gained 12 to 349p.

Among food manufacturers, Tate & Lyle gave up 5 to 437p, on reports of a profits warning from a US rival. Volume closed at 2.6m.

Some of the leading property stocks came under pressure after UBS reiterated its negative stance on the sector. Hammerson eased 5 to 324p and Land Securities gave up the same amount to 585p.

In retailers, improving market confidence in Sears, helped the shares appreciate 3 to 108½p in strong trading of 10m, making it the day's best performer among FT-SE 100 constituents.

BZW has been recommending the shares, saying the group is making attempts to "turn around some of its troubled operations" and news that Sears is to relaunch its loss-making Olympus Sports subsidiary was seen by dealers as evidence of such moves.

A stock overhang in Marks and Spencer left the shares trailing 9 to 416½p. Volume was 6.5m. Lloyds Chemist surrendered 4 to 189p, on reports that some investors are calling for boardroom changes.

Marketing services group WPP improved 3 to 110p on the back of a broker's recommendation and a line of 2.5m shares traded at 110p. Bus stocks roared ahead following Tuesday's announcement that Badgerline and GRT are to merge. Badgerline, seen to have the biggest potential for improving its margins, lifted 11 to 149p while GRT climbed 11 to 280p. Go-Ahead, considered the most likely subsequent target for takeover or alliance, added 4 at 195p.

Motor components group Laird moved forward 8 to 344p, as the market responded to figures above forecasts.

FINANCIAL TIMES EQUITY INDICES

	Apr 5	Apr 4	Apr 3	Mar 31	Mar 30	Yr ago	*High	*Low
Ordinary Share	2444.0	2441.8	2408.5	2407.4	2433.8	2487.3	2444.0	2238.3
Ord. div. yield	4.33	4.33	4.39	4.40	4.35	3.77	4.88	4.33
P/E ratio net	16.80	16.80	16.57	16.60	18.64	21.13	18.04	16.57
P/E ratio nil	16.71	16.71	16.48	16.48	16.66	22.00	17.28	15.77

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2453.6	2451.7	2445.9	2441.8	2443.7	2446.0	2443.8	2442.4	2445.7	2458.6	2439.2

	Apr 5	Apr 4	Apr 3	Mar 31	Mar 30	Yr ago
SEAQ bargains	41,188	47,682	37,309	36,178	48,066	33,253
Equity turnover (£m)†	-	1827.2	1323.0	1491.5	2185.6	1782.5
Equity bargains†	-	66,209	57,848	48,095	58,212	38,392
Shares traded (mil)†	-	647.0	696.1	680.4	923.0	814.1

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	953	Total Highs	223	Total contracts	30,245
Total Falls	380	Total Lows	70	Calls	12,497
Same	1,531			Puts	17,748

April 5 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3229.0	3214.0	+3.0	3235.0	3203.0	11500	69174
Sep		3238.0	+3.0			0	1818
Dec		3267.0	+3.0			0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		3495.0	+10.0			0	4392

■ FT-SE 100 INDEX OPTION (LIFFE) (*3191) £10 per full index point

	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P
Apr	202½	1½	155	3½	110	8	70	18	37	37½	18	69½	6	111½	1½	161
May	217½	10	174	15½	133½	24½	97½	38½	68	60	45	87½	27	122	14½	162½
Jun	229	18	188	26½	152	40½	118½	57	90	78	66½	105	45½	135½	31½	172½
Jul	249	29½	212½	42½	179	55½	146½	75	118½	96½	93	122½	71	151½	54	185½
Dec†	318½	67½			255½	101			193	140½			147	193½		

Calls 3,206 Puts 3,267

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P
Apr	178½	3	131	5	89½	12½	52½	27	28	50	10	84	3½	126½	1	174
May	195	12	153	19½	116	31	82	47	54½	69½	34½	99	20	134	11	174½
Jun	211	24½	172	35	138½	48½	104½	66	77	88	54	114½	36	145½	22½	181
Sep	280	53½			191	81½			131½	118½			84½	158½		
Dec†	395	74½			249	104½			182½	142½			133	188		

Calls 5,118 Puts 4,594 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
150	F.P.	517.3	167	154	Albright & Wilson	165	+½	R6.0	1.5	4.5	18.3
-	F.P.	17.5	201	170	Beale	171		H5.9	-	4.3	-
-	F.P.	3.81	123	113	Brit Aerospace Uts	123		-	-	-	-
-	F.P.	34.0	161	123	Colleagues	160		-	-	-	-
§128	F.P.	15.6	135	130	Dailywin	130		Rv6.0	2.2	5.8	6.8
§130	F.P.	45.7	138	136	Detrontech	136		-	-	-	15.6
175	F.P.	102.7	178	170½	Expro Intl	174		Wv6.0	3.3	4.3	13.0
100	F.P.	20.0	101	100	F&C SUIT Units	100		-	-	-	-
100	F.P.	29.7	101	99	Geared Inc Inv C	99	-½	-	-	-	-
§135	F.P.	15.4	138	115	Golden Rose	115		-	-	-	-
100	F.P.	163.2	103	95	HTR Inc Gth Sp Inc	102		-	-	-	-
-	F.P.	8.91	20	17	Inv Cap Warrants	18		-	-	-	-
-	F.P.	21.8	87	83	Inv Tst of Inv Tsts	84		-	-	-	-
-	F.P.	0.36	5	3	Melrose Warrants	3½		-	-	-	-
100	F.P.	23.8	98	90	Monzanaro UK Sm	95		-	-	-	-
-	F.P.	2.20	48	43	Do. Warrants	44		-	-	-	-
478	170	6,089.5	193	158½	*Natl Power (P/P)	169	-1	F15.45	2.6	4.1	13.0
90	F.P.	17.5	92	90	PTS	92		L3.8	1.9	4.8	13.3
512	185	4,042.8	208	176½	*PowerGen (P/P)	188	-1	F15.0	3.2	3.6	11.1
-	F.P.	82.3	520	493	Schroder I O Uts	520	+3	-	-	-	-
100	F.P.	22.6	97	95	Scott Or Smlr Cos	95½		-	-	-	-
50	F.P.	3.10	52	40	Superframe	40		Rv2.0	1.6	6.2	9.9
-	F.P.	0.04	1600	6	Do. Warrants	6		-	-	-	-
-	F.P.	24.5	103	100	Throg Dl Zero Pf	103		-	-	-	-
145	F.P.	62.1	182	170	Zotefoams	174	+1	Wv4.85	2.1	3.3	17.6

* Note: issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

	Apr 4	% chg on day	Apr 3	Mar 31	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1962.88	-0.1	1964.14	1929.82	1976.80	2.16	2337.90	1637.91
■ Regional Indices								
Africa (16)	2837.16	+0.6	2819.37	2728.86	2649.57	4.81	3711.87	2304.45
Australasia (7)	2319.33	+4.1	2228.29	2112.78	2442.54	1.81	2951.49	1788.20
North America (11)	1657.90	-1.3	1679.50	1675.16	1714.06	0.79	1911.21	1346.18

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Latest prices were unavailable for this edition.

FT-SE Actuaries Share Indices — The UK Series

	Apr 5	Day's chge%	Apr 4	Apr 3	Mar 31	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3190.2	+0.1	3188.1	3143.1	3137.9	3131.5	4.27	1.89	15.49	47.89	1237.07
FT-SE Mid 250	3468.3	+0.2	3459.8	3437.6	3434.7	3778.1	3.71	1.84	18.29	31.36	1318.82
FT-SE Mid 250 ex Inv Trusts	3477.8	+0.2	3469.7	3449.3	3445.5	3797.9	3.85	1.91	17.03	31.90	1320.72
FT-SE-A 350	1581.9	-0.1	1580.2	1560.6	1558.4	1590.4	4.15	1.88	16.03	21.68	1253.49
FT-SE-A 350 Higher Yield	1595.3	+0.1	1594.4	1574.1	1570.4	1598.6	5.10	1.70	14.39	28.27	1043.04
FT-SE-A 350 Lower Yield	1568.4	+0.2	1565.8	1547.0	1546.3	1541.5	3.04	2.22	18.50	14.81	1044.01
FT-SE SmallCap	1727.05	+0.3	1721.82	1715.60	1717.03	1911.39	3.50	1.55	23.11	16.31	1362.88
FT-SE SmallCap ex Inv Trusts	1704.20	+0.3	1699.47	1694.54	1695.32	1868.73	3.72	1.61	20.89	16.17	1349.45
FT-SE-A ALL-SHARE	1560.78	-0.1	1558.90	1540.61	1538.64	1580.52	4.10	1.88	16.42	20.89	1257.29

■ FT-SE Actuaries All-Share

	Apr 5	Day's chge%	Apr 4	Apr 3	Mar 31	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2735.26	-0.6	2752.38	2715.03	2707.93	2405.73	3.78	1.75	19.00	60.75	1125.42
12 Extractive Industries(7)	3697.64	-1.1	3740.34	3680.12	3674.37	3898.38	3.80	1.96	16.73	91.07	1046.62
15 Oil, Integrated(3)	2724.18	-0.6	2740.01	2701.65	2682.84	2400.22	3.89	1.79	17.98	47.68	1145.16
16 Oil Exploration & Prod(14)	1964.04	----	1963.18	1955.24	1958.09	1832.46	2.51	0.43	80.00†	31.57	1155.52
20 GEN INDUSTRIALS(279)	1676.27	+0.2	1673.39	1654.27	1646.63	2072.23	4.19	1.61	18.52	22.83	977.05
21 Building & Construction(38)	976.49	+0.6	970.81	962.48	960.68	1334.16	4.09	1.86	18.43	11.61	780.72
22 Building Matls & Merchs(31)	1762.66	+0.7	1751.32	1745.49	1750.86	2152.72	4.26	1.67	17.56	12.85	845.19
23 Chemicals(22)	2247.18	+0.3	2240.08	2210.84	2204.88	2451.01	4.21	1.36	21.78	30.98	1018.75
24 Diversified Industrials(18)	1837.12	-0.3	1842.25	1820.32	1804.79	2056.37	5.18	1.44	18.75	34.88	970.10
25 Electronic & Elect Equip(37)	1982.66	----	1982.44	1959.07	1955.13	2031.37	3.68	1.62	17.65	8.51	984.16
26 Engineering(72)	1819.94	+0.1	1817.62	1797.08	1789.07	1907.14	3.39	1.88	19.64	17.67	1059.69
27 Engineering, Vehicles(13)	2228.27	+0.9	2208.79	2182.47	2171.26	2241.15	4.10	0.79	38.48	27.93	1105.12
28 Paper, Pckg & Printing(27)	2823.12	----	2821.67	2794.45	2783.68	2904.65	3.38	2.27	16.29	34.97	1132.06
29 Textiles & Apparel(21)	1559.16	+0.2	1556.56	1550.77	1529.44	1796.19	4.49	1.26	21.78	8.40	897.90
30 CONSUMER GOODS(94)	3010.20	-0.3	3000.78	2957.99	2954.87	2752.05	4.30	1.57	18.46	49.88	1064.35
31 Breweries(18)	2260.85	-0.4	2271.03	2254.22	2248.14	2191.33	4.20	2.00	14.89	11.98	1044.97
32 Spirits, Wines & Ciders(10)	2723.24	-0.2	2729.33	2697.39	2725.20	2854.64	4.26	1.83	16.02	53.90	939.34
33 Food Producers(24)	2432.04	----	2431.29	2420.24	2411.76	2312.52	4.15	1.90	15.88	40.52	1052.59
34 Household Goods(10)	2483.41	+0.9	2461.72	2451.59	2452.98	2573.15	3.71	0.86	39.00	49.84	917.85
36 Health Care(18)	1697.93	+0.2	1695.04	1684.02	1683.87	1716.41	3.05	1.05	38.63	8.14	996.54
37 Pharmaceuticals(12)	3787.58	+0.4	3771.39	3677.73	3648.33	2870.92	4.09	1.20	25.45	49.21	1231.90
38 Tobacco(2)	3732.56	+1.2	3689.31	3643.93	3674.77	3968.04	8.07	1.63	12.61	131.29	883.41
40 SERVICES(230)	1941.11	+0.1	1939.68	1917.58	1919.31	2020.71	3.34	2.11	17.75	15.94	970.26
41 Distributors(32)	2351.77	+0.1	2350.16	2329.14	2339.25	2976.86	4.04	1.92	18.10	39.17	835.81
42 Leisure & Hotels(29)	2184.73	+0.2	2181.04	2162.34	2151.77	2191.22	3.50	1.64	23.19	28.55	1096.28
43 Media(43)	2861.30	+0.5	2846.54	2801.59	2819.66	3059.06	2.69	2.35	19.77	34.30	1008.63
44 Retailers, Food(16)	1886.71	+0.2	1882.62	1870.08	1859.42	1592.42	3.50	2.49	14.31	4.43	1141.41
45 Retailers, General(44)	1627.53	-0.3	1632.33	1607.01	1609.20	1732.34	3.36	2.13	17.50	6.76	889.70
48 Support Services(36)	1480.11	+0.2	1477.01	1475.44	1482.39	1647.32	2.95	2.46	17.21	10.06	812.73
49 Transport(21)	2244.30	-0.1	2247.07	2221.16	2228.16	2527.07	3.83	1.91	17.07	24.12	896.22
51 Other Services & Business(7)	1196.09	-0.1	1197.25	1197.03	1197.20	1152.68	3.77	1.17	28.28	10.90	1047.31
60 UTILITIES(37)	2280.04	-0.2	2276.50	2254.80	2248.25	2383.23	4.77	2.03	12.94	6.65	898.35
62 Electricity(17)	2107.84	+0.4	2098.45	2081.41	2077.86	2358.52	4.85	2.67	9.66	19.99	902.08
64 Gas Distribution(2)	1982.87	+1.0	1963.43	1902.28	1898.46	2011.05	6.04	1.15	17.94	0.00	931.33
66 Telecommunications(5)	2005.23	-0.3	2011.76	2001.82	1995.84	2055.68	4.08	1.69	18.18	0.13	870.33
68 Water(13)	1812.42	-0.3	1807.62	1799.29	1789.38	1866.74	5.52	2.74	8.26	4.82	924.17
69 NON-FINANCIALS(664)	1685.17	+0.1	1683.74	1663.98	1661.00	1704.47	4.05	1.79	17.19	19.33	1217.92
70 FINANCIALS(118)	2249.02	+0.3	2243.35	2215.80	2216.90	2260.74	4.70	2.23	11.95	54.58	920.86
71 Banks, Retail(9)	3000.78	+0.1	2996.59	2950.15	2947.30	2875.09	4.57	2.78	9.91	86.03	931.38
72 Banks, Merchant(6)	3110.35	+1.1	3074.99	3049.97	3074.12	3038.76	3.72	2.49	15.48	28.82	953.62
73 Insurance(26)	1246.50	+1.4	1229.63	1212.89	1218.67	1382.51	5.69	1.65	13.28	33.72	896.63
74 Life Assurance(6)	2519.74	-0.1	2521.58	2479.03	2472.63	2477.03	5.39	1.88	17.48	83.56	1008.07
77 Other Financial(23)	1931.57	+0.3	1925.05	1920.58	1924.08	1825.51	3.89	2.31	13.54	19.05	1054.29
79 Property(48)	1367.47	-0.6	1375.78	1377.55	1379.38	1579.88	4.39	1.18	24.03	8.51	798.38
80 INVESTMENT TRUSTS(133)	2631.94	+0.3	2623.78	2599.19	2605.22	2618.10	2.42	1.02	50.64	19.86	896.09
89 FT-SE-A ALL-SHARE(915)	1560.78	+0.1	1558.90	1540.61	1538.64	1580.52	4.10	1.86	16.42	20.89	1257.29
FT-SE-A Fledgling	960.16	----	959.80	958.99	959.10	-	3.10	1.05	38.50	7.64	967.78
FT-SE-A Fledgling ex Inv Trusts	955.78	-0.1	956.28	956.53	956.78	-	3.28	1.05	35.75	6.01	963.71

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3201.3	3200.0	3192.1	3187.0	3189.7	3191.1	3188.5	3187.9	3191.1	3206.6	3184.3
FT-SE Mid 250	3466.8	3471.1	3469.1	3467.0	3469.6	3469.1	3468.5	3468.9	3469.2	3472.0	3467.0
FT-SE-A 350	1586.2	1586.0	1582.8	1580.5	1581.9	1582.3	1581.3	1581.1	1582.3	1588.6	1579.5

Time of FT-SE 100 Day's high: 8.43am Day's low: 10.38am. FT-SE 100 1995 High: 3190.2 (5/4) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	962.7	964.1	962.8	963.2	963.4	963.4	962.7	962.7	962.0	962.0	955.9	+6.1
Pharmaceuticals	3761.0	3759.9	3753.4	3738.8	3740.3	3742.9	3740.7	3752.9	3756.8	3756.6	3741.2	+15.4
Water	1816.2	1815.1	1813.4	1811.1	1810.1	1810.7	1810.1	1808.8	1806.3	1805.5	1800.6	+4.9
Banks, Retail	3056.8	3047.8	3038.4	3032.2	3034.4	3036.2	3037.7	3035.1	3039.4	3039.1	3034.8	+4.3

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.
 The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	608	344	-1½
ASDA Group†	18,000	76¼	+1¾
Abbey National†	1,800	476½	-2½
Albert Fisher	1,600	39	-2
Allied Domecq†	793	542	-2
Anglian Water	850	477	+2
Argos	859	402	

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent.

WORLD STOCK MARKETS

US INDICES

Dow Jones	Apr 4	Apr 3	Mar 31	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4201.61	4168.41	4157.69	4201.61 (4/4)	3832.08 (30/1)	4201.61 (4/4/95)	41.22 (2/7/32)
Home Bonds	98.64	98.40	98.52	98.62 (31/3)	93.63 (3/1)	103.77 (18/10/93)	54.99 (1/10/81)
Transport	1640.17	1625.03	1635.74	1655.07 (30/3)	1473.19 (3/1)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	191.47	187.71	187.65	196.74 (8/2)	183.03 (3/1)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4220.98 (4202.30) Low 4164.23 (4129.68) (Theoretical) Day's high 4201.61 (4172.56) Low 4168.41 (4155.21) (Actual)

Standard and Poors

	Apr 4	Apr 3	Mar 31	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	505.24	501.85	500.71	505.24 (4/4)	459.11 (3/1)	505.24 (4/4/95)	4.40 (1/6/32)
Industrials	600.76	596.00	596.69	600.76 (4/4)	546.28 (3/1)	600.76 (4/4/95)	3.62 (21/6/32)
Financial	48.95	48.41	48.30	48.55 (4/4)	41.41 (2/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	273.29	271.49	271.04	273.29 (4/4)	250.73 (3/1)	273.29 (4/4/95)	4.46 (25/4/42)
Amex Mkt Val	467.30	465.89	464.41	467.30 (4/4)	433.12 (6/1)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	813.72	818.05	817.21	828.14 (28/3)	743.58 (6/1)	828.14 (28/3/95)	54.87 (31/10/72)

■ RATIOS

	Mar 31	Mar 24	Mar 17	Year ago
Dow Jones Ind. Div. Yield	2.64	2.65	2.68	2.81
	Mar 29	Mar 22	Mar 15	Year ago
S & P Ind. Div. yield	2.27	2.33	2.33	2.51
S & P Ind. P/E ratio	18.05	17.60	17.60	23.55

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Telefonos	9,372,000	28⅝	-⅛
Host Marriott	7,356,800	10⅞	-⅛
RJR Nabisco	6,138,500	6⅛	+⅛
Motorola	4,473,200	53⅞	-½
Ford Motor	4,402,800	26⅝	-⅛
Limited	3,663,700	22½	----
Compaq	3,534,100	32½	-⅛
Wal-Mart	3,177,400	26	----
Chrysler	3,036,200	40	-2⅛
Gen Motors	2,734,700	43⅛	-1⅛

■ TRADING ACTIVITY

● Volume (million)

	Apr 4	Apr 3	Mar 31
New York SE	318.417	282.724	352.947
Amex	16.839	14.058	27.779
NASDAQ	335.099	248.952	308.040
NYSE			
Issues Traded	2,855	2,945	2,935
Rises	1,436	1,120	971
Falls	812	1,061	1,237
Unchanged	707	764	727
New Highs	101	65	70
New Lows	20	13	15

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	507.60	507.70	-0.10	508.20	507.10	62,318	188,764
Sep	512.20	512.20	-	512.20	512.00	559	17,518
■ Nikkei 225							
Jun	15720.0	15940.0	+250.0	15950.0	15550.0	26,115	124,786
Sep	15860.0	15990.0	+240.0	15960.0	15860.0	2	29

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, April 5, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fudo Constn	10.7m	853	+55	NEC Corp	2.5m	907	+4
Sumitomo Constn	5.7m	655	+30	Mitsubishi Matl	2.4m	419	+10
Nippon Steel	3.7m	322	+1	Toshiba Corp	2.2m	593	+10
Hitachi	2.8m	877		Tosoh Corp	2.2m	419	-1
Penta Ocean	2.5m	663	+21	Bk of Tokyo	2.1m	1380	-10

4 pm close April 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
14¼	12⅝	AAR	0.40	3.8	21	130	12⅞	12⅝	12⅛	
23⅝	19¼	ALPharmaA	0.18	0.8	287	74	u23⅝	23	33	-¼
30¼	35	AMP	0.92	2.4	21	11523	u38¼	37	38⅛	+1
66⅞	53⅛	AMR			29	4673	u66⅞	26⅜	66⅛	-⅝
47⅞	41⅞	ASA	1.71	3.6	31	1381	47⅝	46¼	47½	+1¼
38⅜	30¼	AbbtL	0.84	2.2	20	14862	37⅞	37¼	37⅞	+⅜
14½	12	Abitibi Pr	0.50	3.4	20	229	u14⅝	14⅜	14⅝	+⅜
24⅜	21¼	ABM Ind	0.60	2.7	12	46	21⅞	d21¼	21⅞	+⅛
16⅛	14⅛	Acptncetn			6	349	14½	14½	14½	-¼
26½	21⅞	ACE Ltd	0.44	1.8	6	98	u27	26⅜	27	+¾
8¾	8⅛	ACM Gvt In x	0.89	10.9	7	1014	8¼	d8⅛	8¼	
7½	6½	ACM GvOpp x	0.66	10.0		232	6⅞	6⅝	6⅝	
7½	5¾	ACM Gvt Sp x	0.75	12.0		936	9⅜	8½	8¼	+⅛
8⅝	7⅛	ACM Gvt Se x	0.00	12.0		1676	7⅝	d7¼	7½	+⅛
8½	7⅝	ACM Man x	1.08	13.9		189	7⅞	d7⅝	7¾	-¾
7⅝	7⅛	ACM Managd x	0.72	0.0		197	7¼	d7¼	7¼	+⅛
17	10¼	AcmeClv	0.40	2.6	11	754	u18½	16⅝	16⅜	+1⅞
21½	12⅝	Acme Elect			22	606	30⅝	10⅜	19⅞	+½
34½	31⅛	Acordia	0.72	2.2	15	78	32½	32⅛	32⅛	-½
11⅜	8⅝	Actava	0.36	3.7	7	42	9¼	9⅛	9¼	+⅜
18¾	11⅜	Acuson			10	443	11¾	11½	11½	-¼
16⅝	15⅝	Adams Expr	0.36	2.2	0	157	18¾	16⅛	16¼	
28½	53	Ad Micro				26	66	66	89	
35⅞	25	AdvMic			11	14943	34⅞	34⅛	34¼	
[illegible]										

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FINANCIAL TIMES *World Business Newspaper*

Continued on next page

4 pm close April 5

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
		Continued from previous page								
10	8	SantaFeERs	0.16	1.6	162	993	9¾	9½	9¾	+⅛
12⅞	9	SFeGt			27	7195	12⅞	12½	12¾	
37	33¾	SFePPipe	2.80	7.7	9	61	36½	36⅜	36⅜	-⅛
23⅞	17⅛	SaoFeP	0.10	0.4	21	3755	23⅛	22⅞	22¾	-⅛
27¾	24¼	SaraLee	0.68	2.6	68	4718	27⅛	27⅛	27½	+⅛
45⅛	41⅛	Scana Corp	2.60	6.6	15	1958	42½	41⅞	42½	+½
16⅛	14½	Scecrp	1.00	6.1	10	9316	16⅜	16⅛	16⅜	+⅛
11¾	8⅝	SchawkA	0.25	3.0	13	65	8¾	8⅝	8¾	
50¼	42¾	ScheringP			29	589	48	47	47¼	-⅝
79⅝	71	SchPl	2.32	3.0	18	4294	77⅝	76⅝	77½	+⅞
60⅛	50⅛	Schlmb	1.20	2.0	26	6107	59⅝	58⅞	59⅝	+⅛
46⅞	28⅛	Schwab(C)	0.24	0.8	19	2469	30¾	29½	30½	-¼
10⅞	7¾	Schwitzer			8	139	10⅜	10¼	10⅜	+⅛
24⅞	17½	SciAtl	0.06	0.3	28	1149	23⅛	22⅛	22⅞	-¾
18⅞	16⅜	Scotsmn	0.10	0.6	12	114	18⅛	18	18	
91⅛	67⅛	ScottP	0.80	0.9	25	8942	90⅞	89	90¼	-½
32⅞	28⅞	Scripps	0.44	1.4	19	513	32¼	31¼	31¾	-⅞
21½	14⅞	ScudderNAsF	0.02	0.1		101	16⅞	16⅝	16⅝	-¼
9¾	8⅝	ScudderNEuF	0.16	1.8		247	9¼	9	9⅛	
14⅞	13⅛	SeaCnB	0.70	4.9	9	2100	14¼	14¼	14¼	-⅛
16	14⅞	SeaC1.4625	1.46	0.4		3	15½	15½	15½	
28⅝	23⅜	Sgate			8	3730	28	27⅜	27⅝	-⅛
32⅛	28¼	Seagrm	0.60	2.1	131	6868	28⅞	d27⅞	28¾	+¾
26	15¾	Seagull En			202	11474	18⅝	18	18¼	-1⅞
45½	35⅞	Sealed Air			22	680	43¼	42¼	42½	-⅝
54⅛	44⅛	SearsR	1.60	3.0	18	5378	53½	52⅞	53½	+⅛
18½	16⅞	SecCapStx	1.16	6.8	25	642	17	16⅞	17	

4 pm close April 5

AMEX COMPOSITE PRICES

4 pm close April 5

NASDAQ NATIONAL MARKET

AMERICA

Dow gives back gains on currency pressures

Wall Street

US blue chips gave back yesterday morning some of the gains made on Tuesday, as prices were carried downward by declines in the currency and bond markets, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was 11.07 lower at 4,190.54, falling back below the 4,200-level it hit late on Tuesday afternoon. The Standard & Poor's 500 dropped 1.09 at 504.15 and the American Stock Exchange composite was down 0.03 at 467.27. Meanwhile the Nasdaq composite was off 2.08 at 811.64. NYSE volume was 186m shares.

There was little reaction to the release of data that showed the commerce department's index of leading economic indicators declined 0.2 per cent in February – only modestly weaker than the 0.1 per cent decrease forecast by a consensus of economists. Most investors were waiting for employment data due out tomorrow.

Instead the market was extremely volatile through the morning as dollar rose in response to Federal Reserve intervention on the currency market and then gave back its gains.

Technology stocks continued their recent downward trend with the Pacific Stock Exchange technology index off 0.3 per cent. Micron Technology lost $1⅛ at $73⅝, Texas Instruments was $1¼ lower at $87¾, Microsoft fell $⅞ at $69 and Oracle Systems dropped $⅝ at $30⅞. ParcPlace systems, which produces software development systems, dropped $3¼ at $11½ after officials from the company issued a profits warning that put fourth quarter net earnings at 1 to 4 cents a share versus the 12 cents per share at the same time last year.

The Nasdaq composite, which is heavily weighted toward technology shares, did get some support from a 27 per cent jump in the price of Nextel Communications. Shares in the mobile communications company rose $3⅝ at $16⅞ after Mr Craig McCaw – who built McCaw cellular – said that he and others would invest as much as $1.1bn in the company. Motorola, which supplies Nextel with most of its technology, gained $1 at $54¼.

Morrison Knudsen added to recent gains on reports that lenders to the construction and engineering company would provide a bridge loan to help it stay out of bankruptcy. The shares increased $1 at $9¼.

Canada

Toronto strengthened at midday as investors returned after two sessions of profit-taking. The TSE-300 composite index rose 10.21 to 4,261.97 in volume of 29.1m shares. Gold, transport and base metal shares led gains in 11 of the market's 14 sub-indices.

Precious metals improved 30.36 to 10,047.88, transport picked up 43.61 to 4,907.53 and base metals climbed 37.04 to 4,185.08. Oil and gas, forestry and real estate were the only decliners. Seagram held steady at C$39⅝ in further heavy trade on speculation that it was considering selling back its stake in Dupont and might buy MCA.

SOUTH AFRICA

Gold shares held on to most of their gains as the bullion price held steady but industrials were easier after worse-than-expected half-year earnings from Engen, the oil company. The overall index rose 37.4 to 5,433.1, industrials slipped 5.4 to 6,706.1 and golds picked up 31.4 to 1,574.2. Engen lost R3.75 to R24.25.

Mexico encouraged by rate cut

MEXICO was stronger in early trade as investors were encouraged by a decrease in domestic interest rates.

The IPC index was up 11.20 at 1,917.07 by midsession.

At the central bank auction, 14-day Cetes rates fell by 61 basis points to 78.21 per cent, benchmark 28-day Cetes rates were off 50 basis points at 74.5 per cent, and rates on 91-day paper shed 3.99 percentage points to 74 per cent.

Also assisting stocks was the rise of Mexican ADRs on Wall Street: Telmex ADRs, for instance, were up $⅝ at $29⅞.

BRAZIL eased slightly on profit-taking following Tuesday's 8 per cent rise. The Bovespa index was off 194 at 31,057 by 1 pm in turnover of R$171.7m ($191.3m).

Telebras preferred was down 0.4 per cent at R$25.90, Vale do Rio Doce preferred was up 1.2 per cent at R$125 and Petrobras preferred was off 1.4 per cent at R$67.50. SANTIAGO was firm on bargain hunting from foreign investors and local private pension funds. The all-share IGPA index had firmed 1.15 per cent to 5,354.4.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Mar. 31 1995	Dollar terms: % Change over week	Dollar terms: % Change on Dec '94	Local currency terms: Mar. 31 1995	Local currency terms: % Change over week	Local currency terms: % Change on Dec '94
Latin America	(257)	402.88	-0.1	-30.6			
Argentina	(30)	656.39	+9.1	-10.6	402,693.80	+8.1	-10.6
Brazil	(72)	259.63	-8.2	-32.5	871.42	-9.3	-28.5
Chile	(36)	726.30	-0.9	-7.4	1,174.52	-2.3	-6.8
Colombia[1]	(16)	747.16	-1.9	-7.9	1,161.86	-0.9	-2.8
Mexico	(71)	356.34	+9.0	-41.4	1,031.97	+6.6	-20.1
Peru[2]	(20)	140.24	-6.6	-21.4	193.68	-6.5	-18.6
Venezuela[3]	(12)	408.41	+1.9	-17.5	1,594.07	+1.8	-17.5
Asia	(659)	236.93	+2.6	-5.0			
China[4]	(20)	72.93	+5.0	-3.9	77.66	+5.0	-4.1
South Korea[5]	(159)	129.77	-3.3	-5.1	131.69	-3.1	-7.1
Philippines	(25)	246.76	+7.1	-17.2	308.75	+7.1	-12.1
Taiwan, China[6]	(93)	149.06	+0.3	-9.3	145.48	+0.3	-10.3
India[7]	(103)	101.10	-0.0	-18.1	112.82	-0.8	-18.0
Indonesia[8]	(42)	91.54	+1.1	-8.2	111.25	+1.4	-6.6
Malaysia	(114)	272.39	+3.7	+1.3	254.57	+3.2	+0.5
Pakistan[9]	(36)	292.40	+3.2	20.1	409.64	+3.2	-19.9
Sri Lanka[10]	(19)	138.05	-3.2	-19.7	148.15	-3.1	-20.1
Thailand	(68)	366.87	+2.3	-4.3	359.07	+2.1	-6.1
Euro/Mid East	(147)	131.36	+5.8	+10.9			
Greece	(40)	235.84	+6.2	+4.5	356.73	+2.4	-3.0
Hungary[11]	(5)	110.31	-3.0	-27.3	157.98	-3.2	-23.5
Jordan	(8)	157.44	+2.1	+4.9	228.12	+1.9	+2.6
Poland[12]	(16)	363.11	+2.7	-22.6	538.12	+2.7	-25.3
Portugal	(29)	126.99	+3.5	+4.9	125.98	+0.5	-4.9
South Africa[13]	(62)	227.85	+2.0	+1.4	168.30	+1.0	-11.0
Turkey[14]	(44)	151.74	+7.5	+24.6	3,007.34	+7.8	+35.9
Zimbabwe[15]	(5)	209.49	-3.5	-14.4	260.26	-3.1	-13.7
Composite	(1063)	261.33	+1.9	-15.0			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993.

The performance of the world's emerging markets during the first quarter of 1995 reveals the extent of the fallout from the crisis in Mexico. Only Turkey proved resilient to the general downturn with a three month gain in dollar terms of more than 24 per cent, while a few other countries managed rises of between 1.3 per cent to 4.9 per cent. Significantly most of those gains came in the Europe/Mideast region while, elsewhere, Malaysia figured as the only other country to have moved ahead.

In Turkey domestic investors have heen forcing the market higher, pushing it well above the 40,000 level. Salomon Brothers observes that the market's rapid rise so far this year does give some cause for concern, and if there is a sell-off there is no clear support level until the 32,000 level.

Micropal, the independent analyst of emerging market funds, notes in its latest research pnhlication that "to say that emerging market fund performances are hurting is an understatement". According to Micropal's analysis, the average return for funds in its global emerging market equity sector are: minus 18.5 per cent over three months, and minus 22.7 per cent over both six months and one year.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY APRIL 4 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY APRIL 3 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (83)	184.21	2.0	151.70	89.77	118.28	149.02	2.2	3.98	190.91	147.55	87.97	114.80	145.95	180.82	157.95	163.54
Austria (27)	186.77	–0.3	171.61	101.56	133.80	133.74	0.6	1.29	186.38	170.91	101.54	132.97	132.90	196.89	167.46	180.95
Belgium (35)	184.17	0.4	170.13	100.68	132.65	129.35	1.3	4.09	183.45	168.22	99.95	130.68	127.88	184.17	161.53	163.20
Brazil (28)	114.96	6.4	106.22	62.68	82.61	190.46	6.3	1.70	108.08	89.11	58.89	77.11	178.18	-	-	-
Canada (103)	132.37	–0.4	122.28	72.36	95.34	133.76	–0.8	2.61	132.80	121.87	72.41	94.92	134.77	140.25	120.54	126.24
Denmark (33)	260.95	–0.1	241.07	142.68	187.95	194.55	0.8	1.63	261.35	239.95	142.39	195.46	193.03	275.27	236.61	260.13
Finland (24)	186.19	3.4	172.00	101.79	134.10	168.14	3.1	1.42	180.12	165.17	98.13	128.51	163.00	201.41	133.89	141.15
France (101)	181.81	0.2	187.95	99.39	130.95	138.19	1.0	3.12	181.39	166.33	98.82	129.41	136.87	181.81	157.78	187.59
Germany (59)	147.93	0.7	136.66	80.97	106.54	106.54	1.7	2.08	146.90	134.71	80.04	104.80	104.80	154.61	132.08	134.91
Hong Kong (55)	342.53	0.8	316.43	187.26	246.71	340.04	0.8	3.92	339.49	311.31	184.95	242.21	337.00	416.42	277.40	374.65
Ireland (16)	215.96	0.3	199.52	118.07	155.56	189.44	1.0	3.58	215.23	187.36	117.26	153.56	187.54	217.64	177.56	176.13
Italy (58)	67.92	1.2	62.74	37.13	48.92	87.46	1.4	1.76	67.09	61.52	36.55	47.87	86.21	97.78	65.45	68.53
Japan (483)	147.77	1.3	136.51	80.78	106.43	80.78	1.8	0.94	145.88	133.77	78.48	104.08	79.48	170.10	136.95	150.75
Malaysia (97)	482.59	0.7	445.81	263.82	347.59	468.92	0.6	1.67	479.45	439.65	261.21	342.07	466.21	594.78	398.16	430.71
Mexico (18)	884.59	–0.2	817.16	483.59	637.12	6465.49	-1.6	1.66	886.67	813.05	483.07	632.58	6567.91	2414.12	647.81	2053.56
Netherland (19)	235.05	–0.2	217.14	128.50	169.30	166.39	0.7	3.79	235.56	216.00	128.33	168.06	165.30	236.80	191.28	192.00
New Zealand (14)	76.73	1.0	70.88	41.95	55.27	62.20	1.1	4.74	75.94	69.64	41.38	54.18	61.52	77.20	62.05	63.06
Norway (33)	213.87	1.6	197.57	116.92	154.04	180.20	2.4	2.34	210.56	193.07	114.71	150.22	175.92	216.03	177.53	190.38
Singapore (44)	358.51	–0.2	331.20	195.99	258.23	232.67	–0.2	1.95	359.41	329.56	195.82	256.43	233.15	401.38	297.62	297.62
South Africa (59)	348.49	1.7	321.93	190.51	251.00	273.51	1.9	2.48	342.65	314.20	186.66	244.46	268.55	348.49	205.55	232.63
Spain (38)	131.24	1.3	121.24	71.75	94.52	128.32	1.7	4.46	129.50	116.75	70.55	92.39	124.18	150.21	124.10	133.97
Sweden (48)	238.33	1.5	220.17	130.29	171.59	261.02	2.0	2.20	234.70	215.22	127.87	167.45	255.86	247.40	196.70	202.42
Switzerland (47)	163.05	–0.5	169.10	100.07	131.84	129.20	0.8	1.94	184.04	168.78	100.27	131.30	128.13	184.04	149.91	160.00
Thailand (46)	137.47	–0.1	127.00	75.15	99.02	131.41	0.0	3.24	137.55	126.13	74.84	98.14	131.38	-	-	-
United Kingdom (203)	207.16	0.8	191.37	113.25	149.21	191.37	1.3	4.28	206.93	186.83	112.19	146.92	186.83	207.16	181.11	185.91
USA (511)	206.44	0.7	190.71	112.88	148.69	206.44	0.7	2.75	204.97	187.95	111.67	146.23	204.97	206.44	178.95	178.95
Americas (660)	188.82	0.7	174.43	103.22	135.99	158.59	0.7	2.73	187.48	171.91	102.14	133.75	157.49	-	-	-
Europe (741)	178.84	0.5	165.03	97.66	128.67	149.30	1.3	3.26	177.76	163.00	96.85	126.82	147.40	178.64	160.59	163.22
Nordic (138)	230.40	1.5	212.84	125.95	165.94	206.60	2.0	1.99	226.98	208.14	123.66	161.94	202.53	235.72	187.70	199.53
Pacific Basin (822)	156.12	1.2	144.23	85.35	112.45	81.03	1.6	1.32	164.18	141.39	84.01	110.01	89.64	176.86	145.93	158.57
Euro–Pacific (1563)	195.41	0.9	152.80	90.43	119.14	113.07	1.4	2.16	163.92	150.31	89.30	116.84	111.47	175.14	154.73	160.36
North America (614)	201.85	0.7	186.47	110.35	145.38	201.51	0.7	2.74	200.51	183.86	109.24	143.05	200.20	201.85	175.67	175.67
Europe Ex. UK (538)	159.50	0.4	147.37	87.21	114.90	126.05	1.3	2.68	158.83	145.64	86.53	113.31	124.48	159.53	144.12	147.27
Pacific Ex. Japan (339)	238.05	1.0	218.92	130.14	171.46	210.00	1.1	3.29	235.64	216.08	128.38	168.12	207.61	273.13	211.18	235.65
World Ex. US (1771)	165.92	0.8	153.27	90.70	118.50	118.43	1.4	2.20	164.41	150.78	89.57	117.29	114.82	176.66	155.42	181.29
World Ex. UK (2079)	175.29	0.9	161.93	95.83	126.25	137.97	1.1	2.20	173.77	168.35	94.68	123.66	136.43	178.59	163.46	164.27
World Ex. Japan (1799)	195.85	0.7	180.93	107.07	141.06	182.00	1.0	2.96	194.54	178.39	105.99	138.79	180.27	195.85	176.34	176.34
The World Index (2282)	178.07	0.8	164.50	97.35	128.26	142.59	1.1	2.40	178.58	161.92	95.20	125.95	140.98	180.80	165.92	166.19

PLEASE NOTE: Quarter end reclassification (3/4/95): Autobacs Seven (Japan) from 571 to 495. Latest prices were unavailable for this edition.

EUROPE

Bourses mixed after dollar intervention

Intervention in support of the dollar was accompanied by further conflicts in opinion over its prospects, *writes Our Markets Staff.*

Mr Norbert Walter, chief economist at Deutsche Bank, said that several things seemed to indicate that the bank's "risk scenario", taking in a dollar/D-Mark rate of DM1.37 for the rest of this year against previous forecasts of DM1.55, seemed to be taking hold.

However, another report had top German bank economists predicting a recovery in the dollar to about DM1.50 during the next six months.

FRANKFURT, faced with a possible Dax fall to 1,600 as part of the Deutsche Bank's risk scenario, added moderately to Tuesday's gains. The Dax index closed the session at 1,969.84, ending the post bourse 6.81 higher at 1,972.59, turnover rising from DM5.3bn to DM5.7bn.

Mr Michael Geiger, German strategist at CS First Boston, took his own view: he said thet last week's Bundesbank discount rate cnt indicated a redneed fear of inflation following negative M3 growth over the past two months; that GDP forecasts were likely to be reduced; and that there was a likelihood of a further relaxation in Buba monetary policy in the months ahead.

That was good for financials, backing up the further gains of DM25 to DM2,475, and DM10.20 to DM672 in Allianz, and Deutsche Bank itself yesterday. However, said Mr Geiger, if the report indicating dollar recovery prospects was accurate, there might be a risk in not being more aggressively invested; he took Volkswagen for its recovery potential, in spite of Tuesday's weakness in US carmakers which impinged upon their German counterparts, and left VW down DM2.30 at DM364.70.

AMSTERDAM avoided being caught up in the latest round of intervention in the currency markets and the AEX index edged forward 1.02 to 397.83.

ABN-Amro lowered its year-end target for the index from 440 to 420, citing as reasons the recent weakness of the dollar, as well as the likelihood that the flotation of a second tranche of KPN in the second half of the year was likely to absorb an inflow of funds into the market.

BolsWessanen added 20 cents to Fl 31.50 as it confirmed that it was to focus its activities on food products. Analysts had been expecting a restructuring, especially since the merger of Bols, the drinks gronp, and Wessanen, the food company, in 1993 had failed to produce good results.

FT-SE Actuaries Share Indices

Apr 5 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1263.42	1263.48	1263.78	1264.15	1265.99	1265.48	1268.92	1267.84
FT-SE Eurotrack 200	1371.01	1370.97	1370.44	1371.88	1374.07	1373.06	1373.94	1372.60

THE EUROPEAN SERIES

	Apr 4	Apr 3	Mar 31	Mar 30	Mar 29
FT-SE Eurotrack 100	1267.70	1252.05	1254.30	1268.27	1236.95
FT-SE Eurotrack 200	1375.05	1360.10	1362.27	1376.38	1349.07

Base 1000 (26/10/90); High/day: 100 - 1269.24; 200 - 1375.11 Low/day: 100 - 1262.36 200 - 1369.51 1 Partial

Philips was among the session's losers, off 90 cents at Fl 51.60, with foreign selling being blamed.

PARIS shifted to easier ground as currency tremors took their toll after a firmer opening. The CAC-40 index lost 9.85 to 1,872.92 in moderate turnover of FFr3.1bn.

Interest was concentrated on Alcatel Alsthom as the group announced its 1994 results, and even though investors had been fully primed to expect disappointing figures, they came out at the bottom end of expectations, leaving the shares down FFr6.70 or 1.5 per cent at FFr435.30.

Clnb Med was one of the day'a bright spots, adding FFr7.90 to FFr472.80, after the tourism group launched a $111m tender offer for the 29.2 per cent of its US unit that it did not already hold.

ZURICH saw further selling of Schindler certificate, much of it from London, in response to Tuesday's profits warning which took the market by surprise. The issue lost SFr85 to SFr1,045, for a two day fall of 24 per cent. The SMI index was just 0.1 higher at 2,536.3.

Mr Ivo Hanusch at UBS in Zurich noted that the consensus Schindler forecast had been for a 10-15 per cent increase in 1995 earnings before Tuesday's news that the results would be below 1994's levels. "There is a problem of over-capacity in the company's markets and this, clearly, is not going to disappear within a few weeks. The problems are likely to continue after 1995," he said.

HELSINKI overcame some profit-taking after Tuesday's bounce and the Hex index finished 1.9 higher at 12,661.4.

Kone, the elevator manufacturer, fell FM28 to a 20 month low of FM492, unnerved by the Schindler profits warning. Kone said, however, that it had not lowered its 1995 profits forecast and was aiming to improve on the 1994 results, in spite of the difficult market conditions.

MILAN came under renewed pressure from a weak lira and uncertainty surrounding the government's pension reforms, and the Comit index eased 1.52 to 595.16, but turnover remained very thin at less than L900bn.

Cir continued to lose ground, L46 down at L1,285 on short selling amid worries about a capital call because of expected losses at Olivetti, L20 lower at L1,547.

ISTANBUL registered its 22nd record close since February 20, jumping 393.25 to 43,483.42 as turnover rose to an all time peak of TL14,860bn.

The market, which soared 36.8 per cent last month, has risen by another 8.2 per cent over the last three sessions on an influx of fresh cash in response to slightly lower March inflation and a sharp rate cut in the treasury's one year bond auction.

WARSAW defied expectations of a correction and extendad Tuesday's 2.6 per cent gains, the Wig index rising another 158.1, or 2.5 per cent to 6,486.6.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Kuala Lumpur jumps 2.5% on election news

Kuala Lumpur jumped 2.5 per cent on a round of late buying after the keenly awaited announcement from the prime minister of the dissolution of parliament, paving the way for a snap election this month.

The composite index closed up 24.76 at 998.79.

Analysts said that although share prices were expected to run up further on the election announcement, profit-taking would limit gains, with funds looking to sell into strength. Volume swelled to 214m shares against 78m on Tuesday.

Tokyo

A rally in construction stocks stirred a thin market, and share prices gained ground on sbort covering and arbitrage buying, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index rose 251.96, or 1.6 per cent, to 15,882.49 after trading between 15,477.96 and 15,901.62.

Arbitrage unwinding in the morning session led to a fall, but a later rise in futures prices prompted arbitrage linked purchases and small lot buying by institutional investors.

Individual investors and dealers were cheered by the cancellation of a trading warning on Fudo Construction by Japan Securities Finance, which lends shares and money to brokerage houses for margin trade under finance ministry authorisation, and issues a "warning" when it comes close to running out of shares.

Revived activity in Fudo, which was bought on the post-earthquake reconstruction theme in January, made it the most active stock of the day as it gained Y55 to Y853.

The enthusiasm spread to other stocks in the sector, with Sumitomo Construction up Y30 at Y655 and Penta-Ocean Construction Y21 better at Y663.

Volume totalled 210m shares against 287m. The Topix index of all first section stocks rose 8.67 to 1,279.15, while the Nikkei 300 gained 1.63 to 236.95.

Advances led declines by 676 to 347 with 150 unchanged. In London, the ISE/Nikkei 50 index closed down 2.12 at 1052.60.

Hokkaido Takushoku Bank fell Y3 to Y290 on reports that it would fall into the red for the year ended last month. After the market closed, the bank said it would see a Y9bn pre-tax loss due to write offs of its bad loans.

Electric utilities were higher on buying by private investors. The stocks currently offer dividend yields of over 2 per cent, higher than the interest rate on one year time deposits. Chubu Electric Power rose Y40 to Y2,360 and Chugoku Electric Power Y20 to Y2,220.

In Osaka, the OSE average rose 76.35 to 17,678.11 in volume of 7.2m shares. Nintendo, the video game maker, was actively traded, rising Y230 to Y4,900.

Tuesday saw heavy selling on speculation that the company would face a decline in profits due to the high yen. It produced downward revisions after hours on that day and the shares rose yesterday as vague worries were replaced with specific figures.

Roundup

Strong performances were seen in a number of centres, but Hong Kong, Seoul and Taipei were closed for public holidays.

SYDNEY closed sharply higher, as heavy buying by international investors in futures pushed the cash market to its biggest one-day gain in nine months. The All Ordinaries index rose 46.1 or 2.4 per cent to 1,982.4.

Strength in commodity-based stocks pushed the All Resources index up 45.0 or 3.7 per cent to 1,250.2, while the All Industrials advanced 49.6 or 1.7 per cent to 2,953.4.

Volume was 274.8m shares worth A$824.5m.

WELLINGTON achieved a new 1995 closing high with a gain of 2.1 per cent in the NZSE-40 capital index, up 41.82 at 2,061.44. The biggest advances were in Telecom, up 14 cents to NZ$5.90, and Fletcher Challenge, up 19 cents to NZ$3.96.

SINGAPORE also benafited from the Malaysian election news, and the Straits Times Industrials index closed 27.11 or 1.3 per cent higher at 2,101.16, but off a day's high of 2,105.21, with some UK fund buying reported.

MANILA ended marginally lower on profit-taking amid worries over a Moslem rebel attack on a southern town. The composite index shed 8.03 at 2,410.35 in thin volume of 1.43bn shares worth 830.4m pesos.

BOMBAY saw demand from mntual funds ahead of the 1994/95 annual corporate results season.

The BSE-30 share index gained 45.52 or 1.34 per cent to 3,439.94.

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